

CITY OF SOUTH SALT LAKE

STATE OF UTAH

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2006

Prepared By:

South Salt Lake Department of Finance

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INTRODUCTORY

SECTION

City of South Salt Lake



The City of South Salt Lake
220 East Morris Ave., Suite 200
South Salt Lake, UT 84115
(801) 483.6000 Fax (801) 483.6001

November 16, 2006

To the Honorable Mayor, Members of the City Council, and Citizens of the City of South Salt Lake, Utah:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the City of South Salt Lake (the City) for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of the City of South Salt Lake. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of South Salt Lake has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of South Salt Lake's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of South Salt Lake comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of South Salt Lake's financial statements have been audited by Pinnock, Robbins, Posey & Richins, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of South Salt Lake for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of South Salt Lake's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of South Salt Lake was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal

grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of South Salt Lake's separately issued Single Audit Report on page 89. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of South Salt Lake's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of South Salt Lake

The City of South Salt Lake is a fourth-class city incorporated in 1938 under provisions of the State of Utah. South Salt Lake City is located in Salt Lake County in the heart of the greater Wasatch Front area. The City of South Salt Lake currently occupies a land area of 7.03 square miles and serves a population of approximately 21,800. South Salt Lake is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of South Salt Lake has operated under the council-mayor alternative form of government in conformity with Utah Law (Section 10-3-12) since 1990. The seven-member city council performs all legislative functions and is responsible, among other things, for passing ordinances and adopting the budget. The mayor performs all administrative functions, oversees day-to-day operations, and appoints department heads and boards with the consent of the city council. The mayor is elected to serve a four-year term. City council members serve four-year staggered terms. Five of the city council members are elected by district and two are elected at large.

The City of South Salt Lake provides a full range of services including: police and fire protection, municipal court, the construction and maintenance of streets, roads, and other infrastructure, recreational activities and cultural events, solid waste collection and disposal, water and sewer utility services, and housing services. The City of South Salt Lake has two component units, the Redevelopment Agency of South Salt Lake, established in 1982, and the South Salt Lake Municipal Building Authority, established in 1996. The Municipal Building Authority currently has no assets, transactions, or budget. The Redevelopment Agency is governed by a board that is comprised of the city council, with the mayor serving as Chief Administrative Officer. The Municipal Building Authority is governed by a board consisting of the city council. Additional information on the Redevelopment Agency can be found in Note 11 in the notes to the financial statements.

The annual budget serves as the foundation for the City of South Salt Lake's financial planning and control. The Uniform Fiscal Procedures Act adopted by the State of Utah governs budgetary procedures for the City of South Salt Lake. In compliance with this Act,

the mayor presents a tentative budget to the city council for adoption no later than the first regularly scheduled city council meeting in May. The Redevelopment Agency budget is presented to the board as required by State Law. The city council is required to hold public hearings on the proposed budget and to adopt a budget by June 22. The council is required to adopt a final budget by no later than June 30, the close of the City of South Salt Lake's fiscal year. The appropriated budget is prepared by fund (e.g. general), function (e.g. public safety), and department (e.g. police). The mayor may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the city council. Budget-to-actual comparisons are provided in this report for the General Fund, Capital Projects Fund, and the Redevelopment Agency. The budget to actual comparisons for these funds, with appropriated annual budgets, are presented in the governmental fund subsection of this report on pages 49-59.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which the City of South Salt Lake exists.

Local economy. The economic outlook for the City of South Salt Lake is encouraging, just as it is for the State of Utah and the country as a whole. The on-going recovery from recession is beginning to benefit the city and the State of Utah. The unemployment rate in Utah was 4% in calendar year 2005 compared to 4.4% for the United States as a whole. The job growth rate for Utah was 2.5% in calendar year 2004 and 5.0% in 2005 compared to a U.S. growth rate of -1.0% in calendar 2004 and 1.3% in 2005. These statistics are provided by the Utah Governor's Office of Planning and Budget.

The city benefits from the large portion of the sales in our area attributed to the building supply industry. Due to low interest rates Utah experienced an unprecedented residential building boom in 2005. Construction value achieved an all time high of \$6.5 billion in 2005. We anticipate strong residential and commercial building to continue in the coming year.

Long-term financial planning. Approximately 35% of property within the city is exempt from property taxes. This condition is due to the fact that many county and regional public facilities are located within city boundaries. The Salt Lake County adult detention center (jail), Utah Transit Authority facilities, Central Valley Water Reclamation Facility, Salt Lake County Solid Waste Transfer Station, Granite School District facilities and other public infrastructure are located in the city and occupy many acres of property. In addition, Union Pacific railroad owns many acres of land within the city that is property tax exempt. As a result, the city relies heavily on sales tax revenue to provide city services. Sales taxes allow the residents of South Salt Lake to receive the same level of services that residents of other Utah cities enjoy. City officials work diligently to maintain an environment that is conducive to business. The mayor and city council are also working to redevelop commercial areas within the city.

The city has adequate cash reserves to cover cash flow requirements during the year. In the first few months of the fiscal year the city uses cash reserves to cover cash requirements thus

eliminating the need to issue tax & revenue anticipation notes. The city begins to receive sales tax revenue in September and property tax revenue in November.

Annually the city allocates as much revenue as possible into the Capital Improvement Fund. The city utilizes a conservative approach to issuing debt and almost always uses a "pay as you go" approach to acquiring capital assets. Class C road funds, derived from gasoline taxes, are used to fund large road construction projects. Funds are received six times per year and can be carried over from year to year until projects are undertaken.

Over the past 4 years the water utility system has completed an upgrade in the water system as laid out in the Water Utility General Plan. The majority of the project was completed with a loan from the State Water Loan Revolving Fund. The project included the re-drilling of the 700 East well with a new well-house, booster station on the west side of town, and replacements of a portion of the four inch water lines with eight inch lines. In 2005-06 the city completed a major waterline replacement project using federal grant funds. Financing for the remaining four inch line replacements is under review.

In 2005-06 design and construction commenced on a major renovation of the 3900 S 500 W intersection. The city is working with Salt Lake County and the Utah Department of Transportation on this project. When completed traffic flow, as well as pedestrian access, will be greatly improved. The city is also in the process of identifying additional storm drain needs and will design and implement projects as funds become available.

Cash management policies and practices. City funds are invested in accordance with the State of Utah Money Management Act. The City Treasurer focuses on safety, liquidity, and yield of investment. All city funds are invested in the State of Utah Public Treasurer's Investment Fund (PTIF) and managed by the Utah State Treasurer. The average yield for the year was 4.17%

Risk management. The City of South Salt Lake is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. The city carries third-party insurance coverage for general liability, auto liability, workers compensation, and property. South Salt Lake works closely with third-party insurance carriers to establish and implement risk management policies and procedures. The city has an aggressive loss avoidance program which involves employee education, safety committee and accident review procedures. The city has an Internal Service Insurance Reserve Fund which allocates costs to specific departments. Additional information on the city's risk management activity can be found in Note 10 of the financial statements.

Pensions and other post employment benefits. The City of South Salt Lake is a member of the Utah Retirement Systems (URS). All liabilities for pensions are fully funded each year. The URS include separate pension plans for Public Employees, Public Safety (police), Firefighter, and Judges. These plans are all administered by URS. Additional information is included in Note 8 and in the URS CAFR report. The City of South Salt Lake provides no post retirement benefits.

Awards and acknowledgements.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement For Excellence in Financial Reporting to the City of South Salt Lake for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. This was the seventh consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for certification.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance and Administration Departments. I would like to express appreciation to all members of the Finance Department who assisted in the preparation of this report. I also appreciate the professional service and assistance rendered by the auditing firm of Pinnock, Robbins, Posey & Richins. Credit also must be given to the mayor and city council for their unfailing support for maintaining the highest standards of professionalism and integrity in the management of the finances of the City of South Salt Lake.

Respectfully submitted,



Kyle Kershaw
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of South Salt Lake,
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

President

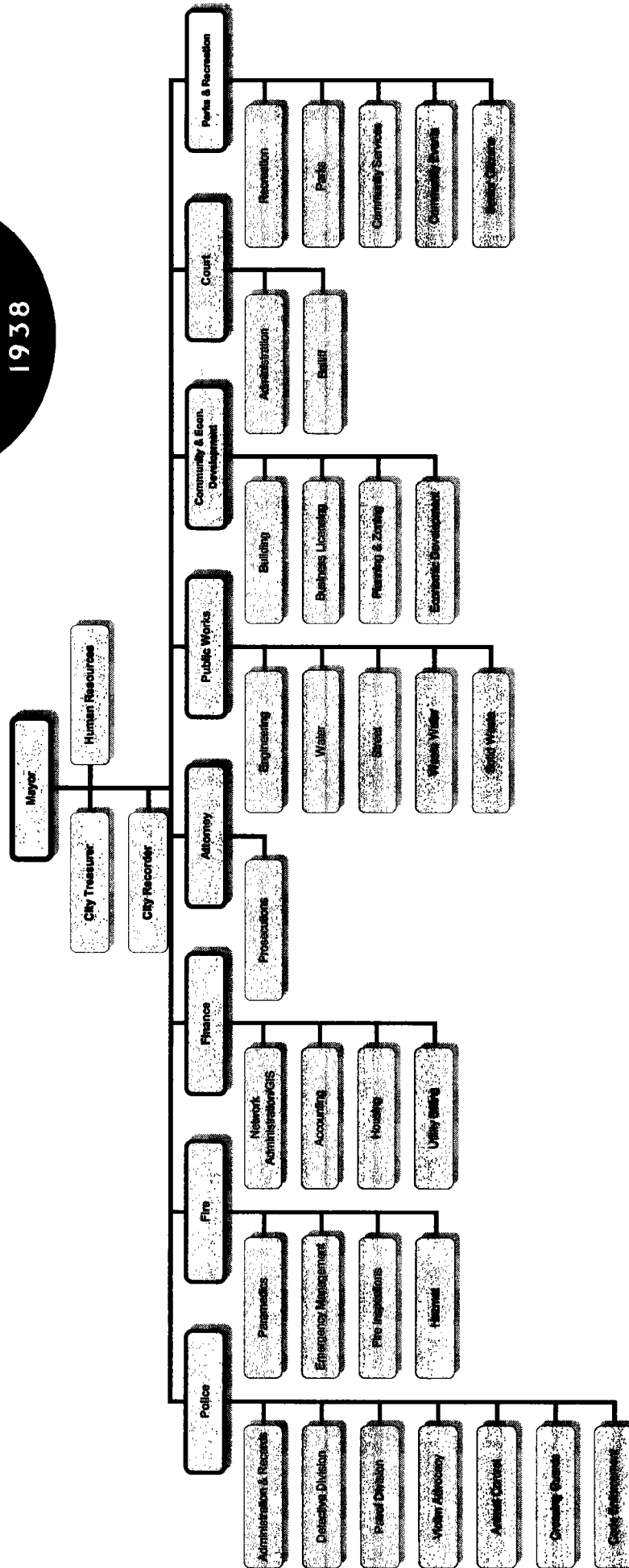
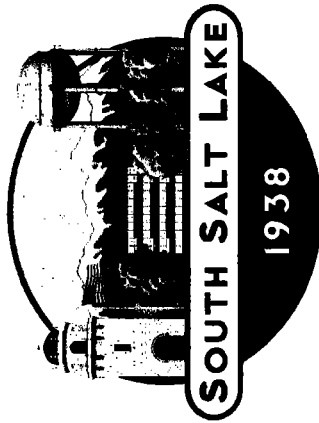
Jeffrey R. Enen

Executive Director

**City of South Salt Lake
Principal Officials
June 30, 2006**

Robert D. Gray	Mayor
Casey R. Fitts	Council Member at Large
J. Michael Rutter	Council Member at Large
Marilyn Bruschi	Council Member District 1
Rea Goddard	Council Member District 2
John B. Weaver	Council Member District 3
William Anderson	Council Member District 4
L. Shane Siwik	Council Member District 5
Beau Babka	Police Chief
Steve Foote	Fire Chief
Dennis Pay	Public Works Director
Kyle Kershaw	Finance Director
David Carlson	City Attorney
Craig Burton	City Recorder
Cherie Wood	City Treasurer
Larry Gardner	Community & Economic Development Director

2006 City Organization Chart



FINANCIAL

SECTION

City of South Salt Lake



PINNOCK, ROBBINS, POSEY & RICHINS

Certified Public Accountants • A Professional Corporation

Ronald D. Robbins, CPA
David T. Posey, CPA
Roger O. Richins, CPA
James R. Beaudoin, PFS, CFP, CPA
Wade K. Watkins, CPA

INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and
Members of the City Council
City of South Salt Lake, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Salt Lake, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of South Salt Lake's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Salt Lake, Utah, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006, on our consideration of the City of South Salt Lake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 11, 49, and 50 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of South Salt Lake's basic financial statements. The accompanying schedule of expenditures of federal awards required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the introductory section, combining nonmajor fund financial statements, budgetary comparison information for nonmajor and capital projects funds, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, combining nonmajor fund financial statements, and budgetary comparison information for nonmajor and capital projects funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pinnock, Robbins, Posey & Richins

October 20, 2006

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

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CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDING JUNE 30, 2006

As management of the City of South Salt Lake, we offer readers of the City of South Salt Lake's financial statements this narrative overview and analysis of the financial activities of the City of South Salt Lake for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in whole dollars. A comparison to prior year information is also included.

Financial Highlights

- The assets of the City of South Salt Lake exceeded its liabilities at the close of the most recent fiscal year by \$70,942,128 (*net assets*). Of this amount, \$28,877,331 (*unrestricted net assets*) may be used to meet the city's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of South Salt Lake's governmental funds reported combined ending fund balances of \$17,348,951. Approximately 78 percent of this total amount, \$13,446,941, is available for spending at the City's discretion (*unreserved fund balance*).
- As a result of improved economic conditions, sales tax revenue increased by 11 percent.
- The City created a new Recycled Waste proprietary fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of South Salt Lake's basic financial statements. The City of South Salt Lake's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of South Salt Lake's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of South Lake's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of South Salt Lake is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of South Salt Lake that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of South Salt Lake include general government, public buildings, public safety, highways and public improvements, parks and recreation, and redevelopment. The business-type activities of the City of South Salt Lake include water and sewer utilities, housing, and recycled waste.

CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The government-wide financial statements include one component unit, the Redevelopment Agency of South Salt Lake. Financial information for the Redevelopment Agency is blended with the primary government.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of South Salt Lake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of South Salt Lake can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of South Salt Lake maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, and the redevelopment agency, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of South Salt Lake adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City of South Salt Lake maintains proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of South Salt Lake uses enterprise funds to account for its Water and Sewer Utilities, Housing, and Recycled Waste Fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its Insurance Reserve Fund. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utilities, Recycle Waste Fund, and Housing Fund, all of which are considered to be major funds of the City of South Salt Lake.

CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the financial statements. The notes provide additional financial information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of South Salt Lake, assets exceeded liabilities by \$70,942,128 at the close of the most recent fiscal year.

By far the largest portion of the City of South Salt Lake's net assets (57 percent) reflects its investment in capital assets (e.g., land, buildings, machinery & equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City of South Salt Lake uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of South Salt Lake's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$24,232,337	\$17,383,009	\$ 9,638,843	\$ 9,390,207	\$33,871,180	\$26,773,216
Capital assets	<u>36,424,114</u>	<u>36,253,892</u>	<u>12,187,113</u>	<u>12,180,967</u>	<u>48,611,227</u>	<u>48,434,859</u>
Total assets	<u>\$60,656,451</u>	<u>\$53,636,901</u>	<u>\$21,825,956</u>	<u>\$21,571,174</u>	<u>\$82,482,407</u>	<u>\$75,208,075</u>
Other liabilities	\$ 2,763,316	\$ 2,302,343	\$ 761,069	\$ 614,393	\$ 3,524,385	\$ 2,916,736
Long-term liabilities outstanding	<u>4,328,461</u>	<u>4,648,000</u>	<u>3,687,433</u>	<u>3,933,375</u>	<u>8,015,894</u>	<u>8,581,375</u>
Total liabilities	<u>\$ 7,091,777</u>	<u>\$ 6,950,343</u>	<u>\$ 4,448,502</u>	<u>\$ 4,547,768</u>	<u>\$11,540,279</u>	<u>\$11,498,111</u>
Invested in capital assets, net of related debt	\$31,776,114	\$31,061,029	\$ 8,314,113	\$ 7,878,236	\$40,090,227	\$38,939,265
Restricted	1,209,491	1,166,208	765,079	673,412	1,974,570	1,839,620
Unrestricted	<u>20,579,069</u>	<u>14,459,321</u>	<u>8,298,262</u>	<u>8,471,758</u>	<u>28,877,331</u>	<u>22,931,079</u>
Total net assets	<u>\$53,564,674</u>	<u>\$46,686,558</u>	<u>\$17,377,454</u>	<u>\$17,023,406</u>	<u>\$70,942,128</u>	<u>\$63,709,964</u>

An additional portion of the City of South Salt Lake's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (41 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of South Salt Lake is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was an increase of \$7,232,164 in total net assets compared to the prior year. This increase is comprised of \$6,878,116 in governmental activities and \$354,048 in business-type activities.

CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for service	\$ 3,040,459	\$ 3,079,571	\$ 3,268,919	\$ 3,163,038	\$ 6,309,378	\$ 6,242,609
Operating grants and contributions	607,684	1,851,304	291,469	500,572	899,153	2,351,876
Capital grants and contributions	168,258	189,243	211,420	-	379,678	189,243
General revenues:						
Property taxes	5,367,255	2,886,714	-	-	5,367,255	2,886,714
Other taxes	15,157,324	13,648,680	-	-	15,157,324	13,648,680
Other	627,357	295,085	45,045	84,114	672,402	379,199
Total revenues	24,968,337	21,950,597	3,816,853	3,747,724	28,785,190	25,698,321
Expenses:						
General government	3,475,895	3,215,423	-	-	3,475,895	3,215,423
Public safety	10,071,587	9,699,369	-	-	10,071,587	9,699,369
Highways and public improvements	3,086,777	3,002,812	-	-	3,086,777	3,002,812
Parks and recreation	845,418	668,943	-	-	845,418	668,943
Redevelopment	373,298	380,467	-	-	373,298	380,467
Interest on long-term debt	237,246	256,974	-	-	237,246	256,974
Water utility	-	-	1,735,824	1,676,388	1,735,824	1,676,388
Sewer utility	-	-	1,482,058	1,300,525	1,482,058	1,300,525
Waste recycle	-	-	11,802	-	11,802	-
Housing	-	-	233,121	309,240	233,121	309,240
Total expenses	18,090,221	17,223,988	3,462,805	3,286,153	21,553,026	20,510,141
Increase (decrease) in net assets	6,878,116	4,726,609	354,048	461,571	7,232,164	5,188,180
Net assets - beginning	46,686,558	41,959,949	17,023,406	16,561,835	63,709,964	58,521,784
Net assets - ending	\$53,564,674	\$46,686,558	\$17,377,454	\$17,023,406	\$70,942,128	\$63,709,964

Governmental activities. Governmental activities increased the City of South Salt Lake's net assets by \$6,878,116, thereby accounting for 95 percent of the total growth in the net assets of the City of South Salt Lake. The increase in governmental activities is primarily explained by the following:

- The City received approximately \$168,000 during the fiscal year because the City is a recipient of the federal government's State Domestic Preparedness Equipment Support grant program. These grant proceeds were expended in the public safety and public works areas.
- Due to increases in public utility rates, as well as general improvement in the local economy, energy sales and use tax revenue increased by approximately \$337,000 over the prior year.
- The City received an increase of approximately \$1,171,000 in sales tax revenue. The increase is a result of improved economic conditions locally and nationally.
- Expenditures decreased by approximately \$724,000 in the General Fund mainly due to a reduction in road projects.
- Due to increases in interest rates, and an increase in the amount of invested funds, investment income in the General fund increased by approximately \$150,494 during the fiscal year.
- An additional \$2,480,541 in property tax revenue was recorded primarily due to a City Council approved property tax increase enacted after June 30, 2006.

Business-type activities. Business-type activities increased the City of South Salt Lake's net assets by \$354,048, accounting for five percent of the total growth in the government's net assets. Most of the increase is due to the receipt of an EPA grant to fund waterline repair and replacement.

CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

As noted earlier, the City of South Salt Lake uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of South Salt Lake's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of South Salt Lake's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of South Salt Lake's governmental funds reported combined ending fund balances of \$17,348,951, an increase of \$3,707,500 in comparison with the prior year. Approximately 78 percent of this total amount (\$13,446,941) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$1,568,718), 2) to pay debt service (\$1,209,491), and 3) for a variety of other restricted purposes (\$1,123,801).

The general fund is the main operating fund of the City of South Salt Lake. At the end of the current fiscal year, unreserved and total fund balance of the general fund was \$3,376,183. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. This results in fund balance being 21 percent of expenditures. Total fund balance is approximately 18 percent of subsequent year budgeted fund revenues. The amount of fund balance allowed in the general fund is limited by Utah State law to 18 percent of subsequent year budgeted revenues.

The general fund balance increased by \$818,930 during the current fiscal year. The capital projects fund balance increased by \$2,557,032. This increase is due to the fact that sales tax revenue allocated to the capital projects fund was greater than expected. In addition, expenditures for certain projects were less than budgeted. Other governmental funds have a total fund balance of \$1,584,423, of which \$1,209,491 is reserved for debt service.

Proprietary funds. The City of South Salt Lake's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail. Unrestricted net assets of the Water Utility Fund was \$379,886, Sewer Utility Fund was \$6,871,810, Housing Fund was \$1,024,341, and the newly created Recycled Waste Fund had a balance of \$13,868. In fiscal year 2005-06 the City created the Recycled Waste Fund. The fund is used to identify revenue and expenses associated with a waste recycling program. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of South Salt Lake's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were minimal (\$247,000 increase in appropriations). The primary reason for these increases was the approval of additional professional consulting contracts, as well as, City Council approval of payroll and benefits adjustments which were funded with new federal grants.

During the year, general fund expenditures were approximately \$1,476,000 less than budgeted. The main reason for the decrease was that several class c road projects (\$512,000) were postponed to a subsequent year. Also, conservative departmental expenditure policies contributed to less than expected spending.

CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital assets. The City of South Salt Lake's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$48,611,227 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure. The City of South Salt Lake's investment in capital assets for the current fiscal year increased less than 1 percent for governmental activities and business-type activities.

Major capital asset events during the current fiscal year included the following:

- Purchase of a new fire engine.
- On-going replacement of police vehicles.
- Completion of restroom/concession project at Fitts Park.
- Purchase of public safety equipment using federal grant funds.
- On-going replacement of public works equipment.
- The completion of a large waterline replacement project.

Capital Assets Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 3,874,010	\$ 3,874,010	\$ 762,560	\$ 762,560	\$ 4,636,570	\$ 4,636,570
Buildings	13,732,425	13,929,047	1,956,495	2,009,828	15,688,920	15,938,875
Improvements	1,699,829	1,681,679	8,836,239	8,711,792	10,536,068	10,393,471
Machinery and equipment	3,851,924	3,313,432	631,819	696,787	4,483,743	4,010,219
Infrastructure	13,238,027	13,430,554	—	—	13,238,027	13,430,554
Construction in progress	27,899	25,170	—	—	27,899	25,170
TOTAL	\$36,424,114	\$36,253,892	\$12,187,113	\$12,180,967	\$48,611,227	\$48,434,859

Additional information on the City of South Salt Lake's capital assets can be found in Note 4.

Long-term debt. At the end of the current fiscal year, the City of South Salt Lake had total debt of \$8,698,812. The debt represents bonds secured solely by specified revenue sources, as well as a \$380,000 Fannie Mae housing loan. The City of South Salt Lake debt decreased by \$720,919 during the current fiscal year. On-going debt retirement accounts for the decrease. The City incurred new debt of \$108,106 during the fiscal year. The City of South Salt Lake has no outstanding general obligation debt.

Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Sales tax revenue bond	\$ 4,575,000	\$ 5,010,000	\$ —	\$ —	\$ 4,575,000	\$ 5,010,000
Special improvement district bonds	73,000	107,000	—	—	73,000	107,000
Water/Sewer revenue bonds	—	—	3,493,000	3,681,500	3,493,000	3,681,500
Central Valley revenue bonds	—	—	177,812	81,231	177,812	81,231
Fannie Mae housing loan	—	—	380,000	540,000	380,000	540,000
Total	\$ 4,648,000	\$ 5,117,000	\$ 4,050,812	\$ 4,302,731	\$ 8,698,812	\$ 9,419,731

CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additional information on the City of South Salt Lake's long-term debt can be found in Note 7.

Economic Factors and Next Year's Budgets and Rates

The City of South Salt Lake relies on sales tax as the main source of revenue in the general fund. Due to continuing economic conditions, sales tax revenue increased approximately 11% during the fiscal year. Senate Bill 35 was passed during the 2006 session of the Utah State Legislature. This bill changes the method in which sales taxes are distributed to local governments. The City of South Salt Lake was negatively affected with this legislation. The bill takes effect on July 1, 2006 and the City is expected to lose approximately \$1,171,000 in tax revenue in 2006-07 when compared to the prior year. More importantly, the City will not see any growth in sales tax revenue for the next several years.

As a result of this change in sales tax distribution, the City Council approved a property tax increase of approximately 134% in 2006. This increase will generate more revenue than is required to balance the General Fund budget in 2006-07. However, the City Council intends to use the increase to fund one-time capital projects and acquisitions. The City will gradually use the tax increase to balance the General Fund over the next 3 years. The City of South Salt Lake will continue to monitor tax revenue and budget expenses accordingly.

The City is currently working with state leaders to identify new sources of revenue. As economic conditions, along with external legislative pressure, continue to place pressure on budgets the City will continue to emphasize comprehensive financial planning and fiscally conservative spending policies.

Requests for Information

This financial report is designed to provide a general overview of the City of South Salt Lake's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Finance Director, 220 E Morris Avenue, Suite 200, South Salt Lake, UT 84115.

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BASIC FINANCIAL STATEMENTS

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CITY OF SOUTH SALT LAKE

STATEMENT OF NET ASSETS

JUNE 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 14,489,294	\$ 1,355,440	\$ 15,844,734
Taxes receivable	4,324,208	—	4,324,208
Accounts receivable - net	—	642,326	642,326
Miscellaneous receivable	428,679	—	428,679
Internal balances	338,073	(338,073)	—
Due from other governmental units	2,199,585	589,250	2,788,835
Property acquired for redevelopment	1,179,480	—	1,179,480
Property held for sale	—	379,749	379,749
Deferred bond financing cost - net	—	38,917	38,917
Loans receivable	—	499,592	499,592
Investment in joint venture	—	5,706,563	5,706,563
Restricted cash and cash equivalents	1,273,018	765,079	2,038,097
Capital assets (net of accumulated depreciation):			
Land	3,874,010	762,560	4,636,570
Buildings	13,732,425	1,956,495	15,688,920
Improvements other than buildings	1,699,829	8,836,239	10,536,068
Equipment	3,851,924	631,819	4,483,743
Infrastructure	13,238,027	—	13,238,027
Construction in progress	<u>27,899</u>	<u>—</u>	<u>27,899</u>
TOTAL ASSETS	<u>\$ 60,656,451</u>	<u>\$ 21,825,956</u>	<u>\$ 82,482,407</u>
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 1,264,875	\$ 340,707	\$ 1,605,582
Compensated absences	—	17,209	17,209
Customer deposits payable	48,848	39,774	88,622
Deferred revenue	674,623	—	674,623
Bond interest payable	69,213	—	69,213
Noncurrent liabilities:			
Due within one year	705,757	363,379	1,069,136
Due in more than one year	<u>4,328,461</u>	<u>3,687,433</u>	<u>8,015,894</u>
TOTAL LIABILITIES	<u>\$ 7,091,777</u>	<u>\$ 4,448,502</u>	<u>\$ 11,540,279</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 31,776,114	\$ 8,314,113	\$ 40,090,227
Restricted for:			
Debt service	1,209,491	765,079	1,974,570
Unrestricted	<u>20,579,069</u>	<u>8,298,262</u>	<u>28,877,331</u>
TOTAL NET ASSETS	<u>\$ 53,564,674</u>	<u>\$ 17,377,454</u>	<u>\$ 70,942,128</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH SALT LAKE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
PRIMARY GOVERNMENT:					
Governmental activities:					
General government	\$ 3,475,895	\$ 1,294,945	\$ 230,117	\$ -	\$ (1,950,833)
Public safety	10,071,587	1,716,633	163,812	168,258	(8,022,884)
Highways and public improvements	3,086,777	-	191,264	-	(2,895,513)
Parks and recreation	845,418	28,881	22,491	-	(794,046)
Redevelopment	373,298	-	-	-	(373,298)
Interest on long-term debt	237,246	-	-	-	(237,246)
TOTAL GOVERNMENTAL ACTIVITIES	18,090,221	3,040,459	607,684	168,258	(14,273,820)
Business-type activities:					
Water utility	1,735,824	1,801,140	-	211,420	276,736
Sewer utility	1,482,058	1,343,836	-	-	(138,222)
Recycle waste	11,802	25,670	-	-	13,868
Housing	233,121	98,273	291,469	-	156,621
TOTAL BUSINESS-TYPE ACTIVITIES	3,462,805	3,268,919	291,469	211,420	309,003
TOTAL PRIMARY GOVERNMENT	\$21,553,026	\$ 6,309,378	\$ 899,153	\$ 379,678	(13,964,817)
General revenues:					
Property taxes					5,367,255
Sales taxes					12,075,483
Energy sales and use taxes					3,055,827
Transient room taxes					26,014
Unrestricted investment earnings					627,357
TOTAL GENERAL REVENUES					21,151,936
CHANGE IN NET ASSETS					6,878,116
NET ASSETS - BEGINNING					46,686,558
NET ASSETS - ENDING					\$ 53,564,674
					\$ 17,377,454
					\$ 70,942,128

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH SALT LAKE

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2006

	General Fund	Capital Projects Fund	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 1,975,745	\$10,598,316	\$ 745,311	\$ 576,293	\$13,895,665
Receivables (net):					
Taxes	4,324,208	-	-	-	4,324,208
Miscellaneous	340,708	-	-	87,971	428,679
Interfund note receivable	-	1,831,801	-	-	1,831,801
Due from other governmental units	2,154,557	45,028	-	-	2,199,585
Due from other funds	-	81,947	-	-	81,947
Property acquired for redevelopment	-	-	1,179,480	-	1,179,480
Cash and cash equivalents - restricted	<u>622,956</u>	<u>-</u>	<u>-</u>	<u>650,062</u>	<u>1,273,018</u>
TOTAL ASSETS	<u>\$ 9,418,174</u>	<u>\$12,557,092</u>	<u>\$ 1,924,791</u>	<u>\$ 1,314,326</u>	<u>\$25,214,383</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 625,954	\$ 168,747	\$ -	\$ -	\$ 794,701
Salaries/payroll payables	455,734	-	-	-	455,734
Due to other funds	-	-	-	517	517
Deposits	48,848	-	-	-	48,848
Interfund notes payable	-	-	1,557,609	9,192	1,566,801
Deferred revenue	<u>4,911,455</u>	<u>-</u>	<u>-</u>	<u>87,376</u>	<u>4,998,831</u>
TOTAL LIABILITIES	<u>6,041,991</u>	<u>168,747</u>	<u>1,557,609</u>	<u>97,085</u>	<u>7,865,432</u>
Fund Balances:					
Reserved for debt service	-	-	-	1,209,491	1,209,491
Unreserved, designated for, reported in:					
UTA arts in transit	-	24,314	-	-	24,314
Interfund note	-	1,568,718	-	-	1,568,718
Sidewalks	-	33,511	-	-	33,511
Tree removal	-	45,199	-	-	45,199
Traffic mitigation	-	24,993	-	-	24,993
Olympic sales taxes	-	995,784	-	-	995,784
Unreserved, undesignated, reported in:					
General fund	3,376,183	-	-	-	3,376,183
Special revenue funds	-	-	367,182	7,750	374,932
Capital projects fund	<u>-</u>	<u>9,695,826</u>	<u>-</u>	<u>-</u>	<u>9,695,826</u>
TOTAL FUND BALANCES	<u>3,376,183</u>	<u>12,388,345</u>	<u>367,182</u>	<u>1,217,241</u>	<u>17,348,951</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,418,174</u>	<u>\$12,557,092</u>	<u>\$ 1,924,791</u>	<u>\$ 1,314,326</u>	<u>\$25,214,383</u>

CITY OF SOUTH SALT LAKE

**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2006

Total fund balances - governmental fund types	\$17,348,951
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	36,424,114
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	4,324,208
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(5,103,431)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets	<u>570,832</u>
Net assets of government activities	<u>\$53,564,674</u>

CITY OF SOUTH SALT LAKE

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2006

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes	\$13,109,335	\$ 3,526,563	\$ 738,913	\$ 665,300	\$18,040,111
Licenses and permits	870,314	-	-	-	870,314
Intergovernmental	410,292	447,026	-	-	857,318
Charges for services	211,548	25,301	-	34,195	271,044
Fines and forfeitures	1,518,384	-	-	-	1,518,384
Investment earnings	293,401	281,959	-	33,853	609,213
Miscellaneous revenue	299,341	-	-	-	299,341
TOTAL REVENUES	<u>16,712,615</u>	<u>4,280,849</u>	<u>738,913</u>	<u>733,348</u>	<u>22,465,725</u>
EXPENDITURES:					
Current:					
General government	2,962,370	-	54,331	-	3,016,701
Public safety	9,464,998	-	-	-	9,464,998
Highways and public improvements	2,663,384	-	-	-	2,663,384
Parks and recreation	765,124	-	-	-	765,124
Redevelopment	-	-	373,298	-	373,298
Debt service:					
Principal retirement	-	-	-	469,000	469,000
Interest and fiscal charges	-	-	24,538	219,358	243,896
Capital outlay:					
General government	-	193,065	-	-	193,065
Public safety	-	1,033,376	-	-	1,033,376
Highways and public improvements	52,067	211,751	-	-	263,818
Parks and recreation	-	285,823	-	-	285,823
TOTAL EXPENDITURES	<u>15,907,943</u>	<u>1,724,015</u>	<u>452,167</u>	<u>688,358</u>	<u>18,772,483</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>804,672</u>	<u>2,556,834</u>	<u>286,746</u>	<u>44,990</u>	<u>3,693,242</u>
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	-	198	-	(198)	-
Sale of capital assets	14,258	-	-	-	14,258
TOTAL OTHER FINANCING SOURCES (USES)	<u>14,258</u>	<u>198</u>	<u>-</u>	<u>(198)</u>	<u>14,258</u>
NET CHANGE IN FUND BALANCES	818,930	2,557,032	286,746	44,792	3,707,500
FUND BALANCES - BEGINNING	<u>2,557,253</u>	<u>9,831,313</u>	<u>80,436</u>	<u>1,172,449</u>	<u>13,641,451</u>
FUND BALANCES - ENDING	<u>\$ 3,376,183</u>	<u>\$12,388,345</u>	<u>\$ 367,182</u>	<u>\$ 1,217,241</u>	<u>\$17,348,951</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH SALT LAKE

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 3,707,500
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	204,021
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets	(33,799)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	2,484,468
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items	469,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(18,433)
Internal service funds are used by management to charge the costs of insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities	<u>65,359</u>
Change in net assets of governmental activities	<u>\$ 6,878,116</u>

CITY OF SOUTH SALT LAKE

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental Activities - Internal Service Fund</u>
	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Recycle Waste Fund</u>	<u>Housing Fund</u>	<u>Total</u>	<u>Fund</u>
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 132,056	\$ 1,208,265	\$ 15,119	\$ -	\$ 1,355,440	\$ 593,629
Accounts receivable - net	419,003	217,131	-	6,192	642,326	-
Due from other governmental units	-	-	-	589,250	589,250	-
TOTAL CURRENT ASSETS	551,059	1,425,396	15,119	595,442	2,587,016	593,629
Noncurrent assets:						
Restricted cash and cash equivalents	525,318	30,750	-	209,011	765,079	-
Loans receivable	-	-	-	499,592	499,592	-
Land	301,831	2,317	-	458,412	762,560	-
Equipment, buildings and improvements	12,896,981	4,417,668	-	339,184	17,653,833	-
Less: accumulated depreciation	(4,607,197)	(1,588,164)	-	(33,919)	(6,229,280)	-
Investment in Central Valley Treatment Facility	-	9,797,376	-	-	9,797,376	-
Less: accumulated amortization	-	(4,090,813)	-	-	(4,090,813)	-
Property held for sale	-	-	-	379,749	379,749	-
Deferred bond financing costs - net	38,917	-	-	-	38,917	-
TOTAL NONCURRENT ASSETS	9,155,850	8,569,134	-	1,852,029	19,577,013	-
TOTAL ASSETS	9,706,909	9,994,530	15,119	2,447,471	22,164,029	593,629
LIABILITIES:						
Current liabilities:						
Accounts payable	155,649	79,795	1,251	104,012	340,707	14,440
Accrued vacation	14,667	2,542	-	-	17,209	-
Due to other funds	-	-	-	81,430	81,430	-
Revenue bonds payable - current	130,000	61,500	-	-	191,500	-
Notes and loans payable - current	-	11,879	-	160,000	171,879	-
TOTAL CURRENT LIABILITIES	300,316	155,716	1,251	345,442	802,725	14,440
Noncurrent liabilities:						
Customer deposits payable	39,774	-	-	-	39,774	-
Interfund note payable	-	-	-	265,000	265,000	-
Revenue bonds payable	2,379,000	922,500	-	-	3,301,500	-
Notes and loans payable	-	165,933	-	220,000	385,933	-
TOTAL NONCURRENT LIABILITIES	2,418,774	1,088,433	-	485,000	3,992,207	-
TOTAL LIABILITIES	2,719,090	1,244,149	1,251	830,442	4,794,932	14,440
Net assets:						
Invested in capital assets, net of related debt	6,082,615	1,847,821	-	383,677	8,314,113	-
Restricted	525,318	30,750	-	209,011	765,079	-
Unrestricted	379,886	6,871,810	13,868	1,024,341	8,289,905	579,189
TOTAL NET ASSETS	\$ 6,987,819	\$ 8,750,381	\$ 13,868	\$ 1,617,029	17,369,097	\$ 579,189
ADJUSTMENT TO REFLECT THE CONSOLIDATION OF INTERNAL SERVICE FUND ACTIVITIES RELATED TO ENTERPRISE FUNDS					8,357	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES					\$17,377,454	

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH SALT LAKE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental Activities - Internal Service Fund</u>
	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Recycle Waste Fund</u>	<u>Housing Fund</u>	<u>Total</u>	
OPERATING REVENUES:						
Water sales	\$ 1,634,823	\$ -	\$ -	\$ -	\$ 1,634,823	\$ -
Sewer service charges	-	1,257,699	-	-	1,257,699	-
Waste recycle fees	-	-	25,670	-	25,670	-
Connection fees	13,963	1,800	-	-	15,763	-
Other services	152,354	84,337	-	98,273	334,964	464,400
TOTAL OPERATING REVENUES	<u>1,801,140</u>	<u>1,343,836</u>	<u>25,670</u>	<u>98,273</u>	<u>3,268,919</u>	<u>464,400</u>
OPERATING EXPENSES:						
Employee salaries	427,716	94,587	-	-	522,303	-
Employee benefits	184,568	44,145	-	-	228,713	-
Professional services	34,628	6,442	-	-	41,070	-
Supplies	27,851	20,701	-	-	48,552	-
Utilities	129,113	20,641	-	-	149,754	-
Equipment supplies and maintenance	78,625	20,114	1,049	-	99,788	-
Repairs and maintenance	62,415	67,202	-	31,809	161,426	-
Depreciation	423,127	96,619	-	16,960	536,706	-
Amortization of investment in sewer treatment facility	-	431,815	-	-	431,815	-
Bad debts	227	-	-	-	227	-
Central Valley sewer treatment costs	-	648,313	-	-	648,313	-
Water purchases	283,826	-	-	-	283,826	-
Waste disposal fees	-	-	10,753	-	10,753	-
Sundry expense	7,743	1,400	-	1,863	11,006	-
Insurance	11,500	17,199	-	-	28,699	414,077
Furniture and equipment	2,466	6,559	-	-	9,025	-
TOTAL OPERATING EXPENSES	<u>1,673,805</u>	<u>1,475,737</u>	<u>11,802</u>	<u>50,632</u>	<u>3,211,976</u>	<u>414,077</u>
OPERATING INCOME (LOSS)	<u>127,335</u>	<u>(131,901)</u>	<u>13,868</u>	<u>47,641</u>	<u>56,943</u>	<u>50,323</u>
NONOPERATING REVENUES (EXPENSES):						
Interest revenue	18,599	16,198	-	10,248	45,045	18,144
Interest expense and fiscal charges	(63,264)	(8,184)	-	(20,974)	(92,422)	-
Federal grant revenue	211,420	-	-	291,469	502,889	-
Housing program expenses	-	-	-	(118,708)	(118,708)	-
(Loss) on disposition of capital assets	-	-	-	(42,807)	(42,807)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>166,755</u>	<u>8,014</u>	<u>-</u>	<u>119,228</u>	<u>293,997</u>	<u>18,144</u>
CHANGE IN NET ASSETS	294,090	(123,887)	13,868	166,869	350,940	68,467
TOTAL NET ASSETS - BEGINNING	<u>6,693,729</u>	<u>8,874,268</u>	<u>-</u>	<u>1,450,160</u>		<u>510,722</u>
TOTAL NET ASSETS - ENDING	<u>\$ 6,987,819</u>	<u>\$ 8,750,381</u>	<u>\$ 13,868</u>	<u>\$ 1,617,029</u>		<u>\$ 579,189</u>
ADJUSTMENT TO REFLECT THE CONSOLIDATION OF INTERNAL SERVICE FUND ACTIVITIES RELATED TO ENTERPRISE FUNDS					<u>3,108</u>	
CHANGES IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES					<u>\$ 354,048</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH SALT LAKE

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental Activities - Internal Service Fund</u>
	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Recycle Waste Fund</u>	<u>Housing Fund</u>	<u>Total</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 1,538,875	\$ 1,352,833	\$ 25,670	\$ (122,053)	\$ 2,795,325	\$ 464,000
Payments to suppliers	(586,259)	(793,343)	(10,551)	(14,692)	(1,404,845)	(399,637)
Payments to employees	(612,284)	(138,732)	-	-	(751,016)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	340,332	420,758	15,119	(136,745)	639,464	64,763
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Grants and contributions received	211,420	-	-	172,761	384,181	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	211,420	-	-	172,761	384,181	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from capital debt	-	108,106	-	-	108,106	-
Proceeds from interfund note payable	-	-	-	265,000	265,000	-
Purchases of capital assets	(484,886)	(57,967)	-	-	(542,853)	-
Proceeds from ownership adjustment in joint venture	-	104,326	-	-	104,326	-
Purchase of additional investment in joint venture	-	(274,158)	-	-	(274,158)	-
Principal paid on capital debt	(127,000)	(73,025)	-	(160,000)	(360,025)	-
Interest paid on capital debt	(63,264)	(8,184)	-	(20,974)	(92,422)	-
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(675,150)	(200,902)	-	84,026	(792,026)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sale of property	-	-	-	200,000	200,000	-
Purchase of property held for sale	-	-	-	(379,749)	(379,749)	-
Issuance of loans receivable	-	-	-	(65,710)	(65,710)	-
Payments on loans receivable	-	-	-	120,298	120,298	-
Interest and dividends received	18,599	16,198	-	10,248	45,045	18,144
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	18,599	16,198	-	(114,913)	(80,116)	18,144
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(104,799)	236,054	15,119	5,129	151,503	82,907
CASH AND CASH EQUIVALENTS - BEGINNING	762,173	1,002,961	-	203,882	1,969,016	510,722
CASH AND CASH EQUIVALENTS - ENDING	\$ 657,374	\$ 1,239,015	\$ 15,119	\$ 209,011	\$ 2,120,519	\$ 593,629

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH SALT LAKE

STATEMENT OF CASH FLOWS (CONTINUED)

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental Activities - Internal Service Fund</u>
	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Recycle Waste Fund</u>	<u>Housing Fund</u>	<u>Total</u>	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income (loss)	\$ 127,335	\$ (131,901)	\$ 13,868	\$ 47,641	\$ 56,943	\$ 50,323
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	423,127	96,619	-	16,960	536,706	-
Amortization of investment in joint venture	-	431,815	-	-	431,815	-
(Increase) decrease in accounts receivable	(266,122)	8,997	-	2,034	(255,091)	-
Decrease in due from other governments	-	-	-	(222,360)	(222,360)	-
Increase in accounts payable and accrued liabilities	52,135	15,228	1,251	80,182	148,796	14,440
(Decrease) in due to other funds	-	-	-	(61,202)	(61,202)	-
Increase in customer deposits	3,857	-	-	-	3,857	-
TOTAL ADJUSTMENTS	212,997	552,659	1,251	(184,386)	582,521	14,440
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 340,332	\$ 420,758	\$ 15,119	\$ (136,745)	\$ 639,464	\$ 64,763

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

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CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of South Salt Lake is a municipal corporation governed by an elected mayor and a seven member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the government. The City of South Salt Lake has no discretely presented component units and is itself not a component unit of any other entity. Each blended component unit has a June 30 year end.

Blended Component Units

The Redevelopment Agency was created by the City during fiscal year 1982. The Agency uses tax increment financing to support redevelopment projects within the City. The Agency is governed by the City's Mayor and City Council. Because the Agency's governing body is the same as the City's the financial data is included in the reporting entity using the blended method.

The Municipal Building Authority was created by the City during fiscal year 1996. The Authority used the proceeds of tax exempt bonds to acquire capital assets for the City. The bonds are secured by a lease agreement with the City and will be retired through lease payments from the City. The Municipal Building Authority is accounted for in a debt service fund. The Authority is governed by the City Council. Because the Authority's governing body is substantially the same as the City's the financial data is included in the reporting entity using the blended method.

Complete financial statements for each of the individual component units may be obtained at the City's administrative offices.

City of South Salt Lake
220 East Morris Avenue
Salt Lake City, UT 84115

Joint Ventures

During 1978, the City entered into a joint venture with six other entities with an inter-local agreement to create the Central Valley Water Reclamation Facility (Central Valley), which provides waste water treatment for all seven sanitation entities. The Central Valley facility went on line on February 23, 1988. The original cost of the project was \$131,168,137, of which 59% or \$78,031,036 was paid by the participating entities. The City's portion of the cost was 5.6% or \$4,498,316. During 1994, the City increased its equity in Central Valley by \$558,828. During 2004, the City increased its equity in Central Valley by \$993,821. During 2005, the City decreased its equity in Central Valley by \$278,529. The City's interest in the original facility, new expansion, facility enhancements, and digesters was 6.12%, 2.5881%, 5.098% and 3.38757%, respectively, at June 30, 2006. The seven member entities contribute amounts to Central Valley on an annual basis to fund capital enhancements based on their ownership percentage and capital expansion based on the growth in their plant usage.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity (continued)

During the current year the City contributed \$84,821 for capital enhancements. The amount of equity interest in Central Valley Water Reclamation Facility at June 30, 2006 is \$5,706,563 and is recorded in the Sewer Fund. Costs associated with the joint venture for the year ended June 30, 2006 were \$1,031,733, which includes \$431,815 amortization of the City's investment in Central Valley.

Amounts reported on the financial statements as investments in Central Valley reflect both the amounts paid by the City and the City's pro rata share of capital grants made by the federal government. The City's pro rata share of capital grants made by the federal government, net of amortization at June 30, 2006, is \$1,941,114.

The Central Valley operating and maintenance costs are paid by the seven member entities based on their usage of the treatment plant. All costs are passed through to the member entities. The City's portion of Central Valley's operating costs and the related percentage of plant usage for the last three years are as follows:

<u>Year</u>	<u>Operating Costs</u>	<u>Percentage of Plant</u>
2006	\$ 648,313	5.65%
2005	\$ 621,751	5.46%
2004	\$ 573,100	5.19%

A copy of the Central Valley Water Reclamation Facility audited financial statements may be obtained by writing to the Central Valley Water Reclamation Facility at 800 West Central Valley Road, Salt Lake City, UT 84119-3379.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applications that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, energy sales and use taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the resources required for major capital improvements of the City.

The *redevelopment agency* accounts for revenues derived from specific taxes which are designated to finance particular functions of the City.

The government reports the following major proprietary funds:

The *water utility fund* accounts for the activities of the water distribution system of the City.

The *sewer utility fund* accounts for the activities of the joint venture described in Note 1.A., the sewage pumping stations and collection system.

The *recycle waste fund* accounts for the activities of the City's recycling program.

The *housing fund* accounts for the resources used to provide housing assistance to qualifying persons within the City.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Additionally, the government reports the following fund types:

Internal service funds account for insurance provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility enterprise fund, of the Sewer Utility enterprise fund, and of the City's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Reconciliation of Government-wide and Fund Financial Statements

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expense/expenditures reported on the fund financial statements and the government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Procedures and Budgetary Accounting

Budgetary procedures for the City have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires the legal adoption of a budget for all funds. Furthermore, in accordance with state law, all appropriations, except capital projects fund appropriations, lapse at the end of the budget year; accordingly, no encumbrances are recorded. The basis of accounting applied to each fund budget is the same basis as the related fund's financial statements. The following are the legal procedures followed by the City:

- 1) On or before the first regularly scheduled meeting of the City Council in May, the City's Mayor, authorized under state statute to be appointed budget officer, submits a proposed operating budget for governmental fund types for which budgetary control is required by Utah State statute (i.e., General Fund, Capital Projects Funds, Debt Service Funds, and Special Revenue Funds), and an operating and capital budget for all proprietary fund types for the subsequent fiscal year. The budget documents include the proposed budget amounts requested by the department heads, along with the proposed budget amounts requested by the Mayor.
- 2) A public hearing is held to receive input on all aspects of the proposed budget. The hearing is preceded by a notice in the local newspaper. The notice is given at least seven days before the hearing and includes the time, date, and place of the hearing. All budget documents are required to be available for public inspection ten days prior to the public hearing.
- 3) On or before June 22, a final balanced budget must be adopted for the subsequent fiscal year beginning July 1.
- 4) The legal budgetary control is maintained at the departmental level. The Mayor, however, acting as budget officer, has the budget authority to transfer budget appropriations between individual line items within any department of any budgetary fund.
- 5) The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- 6) A public hearing, as required in (2) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- 7) Monthly interim financial reports are prepared by the Finance Director and presented to the City Council. These reports contain a budgetary statement showing a comparison of budget to actual for all budgetary funds of the City. Special budgetary reports, using an operating and capital expenditure concept, are prepared for proprietary funds.

The budgets presented for the General Fund, Capital Projects Funds and Redevelopment Agency are designated as revised budgets. Throughout the year, the City Council approves all expenditures and makes amendments to the City's budget. Near year end, the City Council makes final amendments to the budget.

The budget passed for the Capital Projects Funds is an annual budget, based on estimates of annual expenditures. This budget is not based on project length for long-term capital projects.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Procedures and Budgetary Accounting (continued)

No budget is presented in these financial statements for the Proprietary Funds. State law allows the City Council to amend the Proprietary Funds budget without public hearing or public notice. Additional budgetary appropriations were necessary during the year ended June 30, 2006 for the Water Utility and Sewer Utility Funds.

F. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the water utility, sewer utility, and housing funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for short-term interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Loans are reported as receivables and payables and are classified as "due from other funds" or "due to other funds" on the balance sheet of the governmental fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation between the governmental fund statements and the government-wide columnar presentation.

H. Restricted Cash and Cash Equivalents

Certain resources set aside for bond repayment, are classified as restricted cash and cash equivalents on the balance sheet because their use is limited by applicable bond covenants. Other cash and cash equivalents accounts are restricted by state law or collateral requirements.

I. Capital Assets

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide financial statements and in the fund financial statements for proprietary funds, fixed assets are treated as capital assets. Capital assets include property, plant, equipment and infrastructure assets, e.g., roads, sidewalks, and similar items. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (continued)

excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to June 30, 1994) have been valued at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current fiscal year.

Property, plant and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Outfall Lines	60
Sewage Collection	60
Water Storage Towers	50
Water Distribution Mains	50
Pump houses	25 to 40
Pumping Stations	33
Wells and reservoirs	10 to 25
Meters & Hydrants	10
Buildings	15
Office Equipment	5 to 10
Machinery and Equipment	5 to 20
Vehicles	7
Infrastructure	10 to 50

J. Fund Equity

In the fund financial statements, government funds report designations of fund balance for amounts that are not available for appropriation and reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose.

K. Compensated Absences

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Sick pay amounts are charged as wages when used.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences (continued)

Employees can carry-over up to twenty-one days of unused vacation each year. The vacation year ends on March 31. Employees may carry-over up to twelve days of unused sick leave each year with the remaining time converted to cash at 10-50% of the hourly rate. When employees terminate, they are paid for accumulated vacation and one-half their normal rate for accumulated sick leave, if certain criteria are met.

L. Bond Discounts/Issuance Costs

In the government-wide and proprietary fund financial statements, costs of issuing bonds are capitalized and amortized on a straight-line basis over the life of the bonds. During the fiscal year ended June 30, 2006 the amortization expense related to deferred bond financing costs was zero.

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

N. Taxes and Other Significant Revenue

Property and Other Taxes

Property tax is assessed, levied, and collected by the county governments in the state of Utah. The City Council is authorized by state statute (10-6-133) to levy up to a tax rate of .007 of the market value against all real and personal property located within its boundaries. Property taxes become a lien on January 1 and are levied on the first Monday of August. Taxes are due and payable on November 1 and delinquent after November 30 of each year. Taxes on an individual piece of property may be delinquent up to five years before the property is sold for delinquent taxes.

Under state statute, the County Treasurer, acting as a tax collector, must settle and disburse all current tax collections to all taxing units by the end of March following the taxing year. Delinquent taxes are collected throughout the year and disbursed to the taxing units on a routine basis.

Property tax revenues are recognized when they become available. Available includes those property taxes collected from the taxpayers by the County Treasurer by June 30 of each year. Amounts that are measurable but not available are recorded as deferred revenue. An accrual was made for property taxes receivable and an offsetting deferred revenue in the amount of \$4,324,208 at June 30, 2006. Property taxes become an enforceable lien on January 1 but are not due until November 30.

Transient room tax and the municipal telecommunications tax are collected by the State Tax Commission and remitted to the City monthly. Energy sales and use taxes are collected and remitted to the City by the electric and natural gas companies monthly, and the cable television company semiannually.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Taxes and Other Significant Revenue (continued)

Sales Taxes

In accordance with the Local Sales and Use Tax Act (title 59, Chapter 12, Part 2, Utah Code Annotated 1953, as amended), the City presently levies a local sales and use tax of 1.00% on all taxable sales of goods and services. The local sales and use tax is collected by the Utah State Tax Commission and distributed monthly to the City and all other counties and municipalities in Utah.

The distributions are based on a formula, which since 1983 has provided that; 1) 50% of each dollar of sales tax collections will be distributed on the basis of the population of the local government and, 2) 50% of each dollar of sales tax collections will be distributed on the basis on the point of sale. The distributions under this formula are subject to the provision that any local government that imposes a sales and use tax at the rate of 1.00% will receive a distribution of not less than 0.75% of the taxable sales within its boundaries. Because the City has a relatively high amount of taxable sales within its boundaries, in proportion, the distributions of local sales and use taxes to the City are presently based on 0.75% of the taxable sales within its boundaries.

Subsequent to June 30, 2006, new sales tax legislation took effect. See note 13.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$5,103,431 difference are as follows:

Bonds payable	\$ 4,648,000
Accrued interest payable	69,213
Compensated absences	<u>386,218</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 5,103,431</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$204,021 difference are as follows:

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Capital outlay	\$1,629,137
Depreciation expense	<u>(1,425,116)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 204,021</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds". The details of this \$18,433 difference are as follows:

Compensated absences	\$ 25,083
Accrued interest	<u>(6,650)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 18,433</u>

3. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

a. Deposits

	<u>Bank Balances</u>	<u>Book Balances</u>
Cash on hand	\$ -	\$ 10,996
Cash on deposit	1,219,738	883,465
Cash on deposit - restricted	<u>209,011</u>	<u>209,011</u>
TOTAL	<u>\$1,428,749</u>	<u>\$ 1,103,472</u>

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2006, \$1,228,749 of the City's bank balances of \$1,428,749 were uninsured and uncollateralized.

b. Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury, including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "a" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the State of Utah Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses-net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
State of Utah Public Treasurer's Investment Fund	\$16,779,359	\$16,779,359	\$ -	\$ -	\$ -

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed. As of June 30, 2006, the City's investments in the State of Utah Public Treasurer's Investment Fund were unrated.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon total dollar amount held in the portfolio.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ 3,874,010	\$ —	\$ —	\$ 3,874,010
Construction in progress	25,170	2,729	—	27,899
Total capital assets not being depreciated	<u>3,899,180</u>	<u>2,729</u>	<u>—</u>	<u>3,901,909</u>
Capital assets being depreciated:				
Buildings	16,824,392	230,117	—	17,054,509
Improvements other than buildings	2,092,109	65,284	—	2,157,393
Machinery and equipment	8,028,789	1,073,618	(265,914)	8,836,493
Infrastructure	<u>15,718,630</u>	<u>257,389</u>	<u>—</u>	<u>15,976,019</u>
Total capital assets being depreciated	<u>42,663,920</u>	<u>1,626,408</u>	<u>(265,914)</u>	<u>44,024,414</u>
Less accumulated depreciation for:				
Buildings	(2,895,345)	(426,739)	—	(3,322,084)
Improvements other than buildings	(410,430)	(47,134)	—	(457,564)
Machinery and equipment	(4,715,357)	(501,327)	232,115	(4,984,569)
Infrastructure	<u>(2,288,076)</u>	<u>(449,916)</u>	<u>—</u>	<u>(2,737,992)</u>
Total accumulated depreciation	<u>(10,309,208)</u>	<u>(1,425,116)</u>	<u>232,115</u>	<u>(11,502,209)</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>32,354,712</u>	<u>201,292</u>	<u>(33,799)</u>	<u>32,522,205</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$36,253,892</u>	<u>\$ 204,021</u>	<u>\$ (33,799)</u>	<u>\$36,424,114</u>
BUSINESS-TYPE ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ 762,560	\$ —	\$ —	\$ 762,560
Total capital assets not being depreciated	<u>762,560</u>	<u>—</u>	<u>—</u>	<u>762,560</u>
Capital assets being depreciated:				
Buildings	2,426,994	—	—	2,426,994
Improvements other than buildings	13,167,530	469,532	—	13,637,062
Machinery and equipment	<u>1,516,457</u>	<u>73,320</u>	<u>—</u>	<u>1,589,777</u>
Total capital assets being depreciated	<u>17,110,981</u>	<u>542,852</u>	<u>—</u>	<u>17,653,833</u>
Less accumulated depreciation for:				
Buildings	(417,166)	(53,333)	—	(470,499)
Improvements other than buildings	(4,455,738)	(345,085)	—	(4,800,823)
Machinery and equipment	<u>(819,670)</u>	<u>(138,288)</u>	<u>—</u>	<u>(957,958)</u>
Total accumulated depreciation	<u>(5,692,574)</u>	<u>(536,706)</u>	<u>—</u>	<u>(6,229,280)</u>

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	\$11,418,407	\$ 6,146	\$ —	\$11,424,553
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$12,180,967	\$ 6,146	\$ —	\$12,187,113

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES:

General government	\$ 310,295
Public safety	463,511
Highway and public improvements	596,381
Parks and recreation	<u>54,929</u>

TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES 1,425,116

BUSINESS-TYPE ACTIVITIES:

Water	423,127
Sewer	96,619
Housing	<u>16,960</u>

TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES 536,706

TOTAL DEPRECIATION EXPENSE \$ 1,961,822

5. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2006, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund notes receivable/payable:		
Capital projects	Housing fund	\$ 265,000
	Redevelopment agency	1,557,609
	Nonmajor governmental funds	<u>9,192</u>
 TOTAL		 <u>\$ 1,831,801</u>
 Due from/to other funds:		
Capital projects	Housing fund	\$ 81,430
	Nonmajor governmental fund	<u>517</u>
 TOTAL		 <u>\$ 81,947</u>

The interfund payable balance in the Redevelopment Agency reflects the amount due to the capital projects fund for loans made in 1992, 1993, and 1994. The original 1992 loan, which comprises the majority of the total loan amount, was made to finance major housing rehabilitation projects in the Park Creek and Southbrook areas of the City. Debt service on the loan is made with tax increment proceeds received annually by the Redevelopment Agency.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

The interfund payable balance in the Housing Fund reflects the amount due to the capital projects fund for a loan made in 2006. The loan was made to finance the purchase of housing for redevelopment or selling to developers. Debt service on the loan will be made with proceeds received from the sale of the property.

6. COMMITMENTS

Central Valley Water Reclamation Facility - the City has committed with six other entities to fund future capital projects of the Central Valley Water Reclamation Facility.

7. LONG-TERM DEBT

Revenue Bonds

The government issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years was \$6,210,000 for governmental activities and \$4,230,000 for business-type activities. The City also issued special assessment revenue bonds in the amount of \$300,000 in prior years. These bonds are repaid from amounts levied against the property owners benefited by the project funded with the bonds. In the event a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency. During the year ended June 30, 2005, Central Valley Water Reclamation Facility issued taxable sewer revenue bonds totaling \$35,000,000. The City's share of the bonds will not exceed \$321,874. As of June 30, 2006, Central Valley had received advances of \$30,500,000 from the bond proceeds. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Special improvement district capital improvements - Special Revenue Funds	5.35 - 5.50%	\$ 73,000
Water system improvements - Water Utility Fund	2.40%	2,509,000
Columbus school and city hall sales tax revenue and refund bonds - Debt Service Fund	4.00 - 4.85%	4,575,000
Waste water treatment - Sewer Utility Fund	0.00%	984,000
Central Valley expansion - Sewer Utility Fund	3.00%	177,812
TOTAL		<u>\$ 8,318,812</u>

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2007	\$ 709,379	\$ 262,285
2008	734,468	237,629
2009	720,645	211,637
2010	744,355	186,007
2011	617,798	162,066
2012-2016	2,585,309	414,339
2017-2021	1,959,358	106,325
2022-2026	247,500	4,464
TOTAL	<u>\$ 8,318,812</u>	<u>\$ 1,584,752</u>

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. LONG-TERM DEBT (CONTINUED)

Notes Payable

The City borrowed \$800,000 under a note payable to Fannie Mae during the year ended June 30, 2004. Notes payable outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Multi-family housing units - Housing Fund	LIBOR + 1.2%	\$ 380,000
		<u>\$ 380,000</u>

Notes payable debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2007	\$ 160,000	\$ 14,758
2008	160,000	4,025
2009	60,000	—
TOTAL	<u>\$ 380,000</u>	<u>\$ 18,783</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES:					
Bonds Payable:					
1999 special improvement bonds	\$ 107,000	\$ —	\$ (34,000)	\$ 73,000	\$ 36,000
2001 sales tax revenue and refunding bonds	<u>5,010,000</u>	<u>—</u>	<u>(435,000)</u>	<u>4,575,000</u>	<u>470,000</u>
TOTAL BONDS PAYABLE	<u>5,117,000</u>	<u>—</u>	<u>(469,000)</u>	<u>4,648,000</u>	<u>506,000</u>
Compensated absences	<u>361,135</u>	<u>457,617</u>	<u>(432,534)</u>	<u>386,218</u>	<u>199,757</u>
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 5,478,135</u>	<u>\$ 457,617</u>	<u>\$ (901,534)</u>	<u>\$ 5,034,218</u>	<u>\$ 705,757</u>
BUSINESS-TYPE ACTIVITIES:					
Revenue Bonds Payable:					
2001 Taxable Water Revenue Bonds	\$ 2,636,000	\$ —	\$ (127,000)	\$ 2,509,000	\$ 130,000
2002 Taxable Sewer Revenue Bonds	<u>1,045,500</u>	<u>—</u>	<u>(61,500)</u>	<u>984,000</u>	<u>61,500</u>
Central Valley Taxable Sewer Revenue Bonds	<u>81,231</u>	<u>108,106</u>	<u>(11,525)</u>	<u>177,812</u>	<u>11,879</u>
TOTAL BONDS PAYABLE	<u>3,762,731</u>	<u>108,106</u>	<u>(200,025)</u>	<u>3,670,812</u>	<u>203,379</u>
Notes payable	<u>540,000</u>	<u>—</u>	<u>(160,000)</u>	<u>380,000</u>	<u>160,000</u>
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	<u>\$ 4,302,731</u>	<u>\$ 108,106</u>	<u>\$ (360,025)</u>	<u>\$ 4,050,812</u>	<u>\$ 363,379</u>

Compensated absences in the governmental activities are generally liquidated by the general fund.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. PENSION SYSTEMS

The City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with Social Security coverage, Firefighters Retirement System that are for employers with Social Security coverage cost-sharing multiple employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and Public Safety Noncontributory Retirement System for employers with Social Security coverage, and Firefighters Retirement System, which are for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling (800) 365-8772.

In the Local Governmental Noncontributory Retirement System, the City is required to contribute 11.09% of their annual covered salary. In the Public Safety Noncontributory Retirement System for employers with Social Security coverage, the City is required to contribute 19.34% of their annual covered salary.

The City ceased participation in the Public Safety Contributory System at June 30, 1995. In the Firefighters Retirement System for employers with Social Security coverage plan members are required to contribute 8.61% of their annual covered salary (all or part may be paid by the employer for the employee) and the City is required to contribute 0.00% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions to the Noncontributory Retirement System for June 30, 2006, 2005, and 2004 were \$362,826, \$329,703, and \$298,156, respectively; covered salaries for the same period were \$3,271,657, \$2,972,988, and \$3,099,408, respectively. The Public Safety Noncontributory Retirement System contributions for June 30, 2006, 2005, and 2004 were \$488,281, \$450,933, and \$390,678 respectively; covered salaries for the same period were \$2,524,712, \$2,363,390, and \$2,405,655 respectively. The Firefighters Retirement System contributions for June 30, 2006, 2005, and 2004 were \$169,193, \$155,307, and \$148,037 respectively; covered salaries for the same period were \$1,965,082, \$1,803,807, and \$1,803,138 respectively. The City's contributions were equal to the required contributions for each year.

Employees of the City may also participate in a 401(k) Defined Contribution Plan. The City's contributions to the Plan for June 30, 2006, 2005 and 2004 were \$274,252, \$214,759, and \$432,406 respectively. Employee contributions to the 401(k) plan for June 30, 2006, 2005, and 2004, were \$217,719, \$174,071, and \$170,538 respectively.

Full-time employees of the City are eligible to participate in the retirement systems based on their position. Benefits fully vest on reaching four years of service in each of the systems.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. DEFERRED COMPENSATION 457 PLAN

The Utah Retirement Systems have adopted Governmental Accounting Standards Board Statement 32 (GASB No. 32), *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This resulted in reporting the 457 Plans as a "Trust Fund" rather than as an "Agency Fund". Currently all of the assets and income of the 457 Plan are held in trust by the Utah Retirement Systems for the exclusive benefit of the participants or their beneficiaries rather than as assets of the City and are no longer reported as such.

10. RISK MANAGEMENT

The City of South Salt Lake, as a provider of municipal services, is exposed to a number of risks. Among these are; police enforcement liability, auto liability, road maintenance exposure, public official's errors and omissions, and property losses. The City has determined that the inherent risk of providing services necessitates implementing risk management policies and purchasing commercial liability insurance. This combination has resulted in fewer claims against the City and sufficient protection when claims occur.

There has not been any reduction in insurance coverage in the past year for any insurance category. The amount of settlements for any of the past three years have not exceeded coverage amounts.

The City of South Salt Lake contracts with commercial insurance coverage for general liability, auto liability, law enforcement liability and public official's errors and omissions type risks. The City maintains an Insurance Reserve Fund to fund deductibles and small equipment losses. As a result, the City does not have any outstanding insurance liabilities from year to year. However, the City does have annual expenses, which change.

For the year ended June 30, 2006, the Insurance Reserve Fund paid \$414,077 in expenses. Current expenses include insurance deductible for insurance coverage and claims on uninsured property such as police and other City vehicles and small trucks, legal fees and insurance premiums.

11. REDEVELOPMENT AGENCY

In accordance with Utah Code Section 17A-2-1217(3), the City's Redevelopment Agency is required to disclose the following information for fiscal year 2006:

A. The tax increment collected by the Agency for each project area is as follows:

<u>Project Area</u>	<u>2006</u>
Burton Place	\$ 49,668
Edison Street	22,786
Park Creek	41,197
Southbrook	47,137
South State Street	38,592
Madison School	88,203
Post Office Place	72,595
Third West	215,313
Metro - Center	24,001
2100 South	<u>139,421</u>
TOTAL	<u>\$ 738,913</u>

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. REDEVELOPMENT AGENCY (CONTINUED)

B. There were no amounts of tax increment paid to any taxing agency during the year.

C. The outstanding principal amount of bonds issued or other loans incurred to finance the costs associated with project areas is as follows:

<u>Project Area</u>	<u>2006</u>
Interfund Notes Payable	<u>\$ 1,557,609</u>

D. The actual amount expended for:

<u>Project Area</u>	<u>2006</u>
Interest on interfund note payable	\$ 24,538
Administrative costs of the Agency	54,331
Tax increment distributions under contracts:	
2100 South	134,421
Madison School	37,555
Third West	<u>201,322</u>
	<u>\$ 452,167</u>

12. CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of most of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

13. SUBSEQUENT EVENTS

Subsequent to June 30, 2006, State legislation became effective which changed the method in which sales taxes are distributed to local governments. The legislation provides for a minimum tax revenue distribution equal to the sales tax received for fiscal year 2004-05, beginning with fiscal year 2006-07. The City anticipates that it will receive approximately the same amount of sales tax revenue during the year ended June 30, 2007 that it received during the year ended June 30, 2005, which was approximately \$10,900,000.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SOUTH SALT LAKE

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$13,385,707	\$13,499,207	\$ 13,109,335	\$ (389,872)
Licenses and permits	696,000	696,000	870,314	174,314
Intergovernmental	856,500	912,000	410,292	(501,708)
Charges for services	176,000	176,000	211,548	35,548
Fines and forfeitures	1,650,000	1,650,000	1,518,384	(131,616)
Investment earnings	65,000	138,000	293,401	155,401
Miscellaneous revenues	293,000	298,000	299,341	1,341
TOTAL REVENUES	<u>17,122,207</u>	<u>17,369,207</u>	<u>16,712,615</u>	<u>(656,592)</u>
EXPENDITURES:				
Current:				
General government:				
Administration	1,088,860	1,128,860	1,068,482	60,378
City council	205,900	250,900	189,663	61,237
Municipal court	771,450	771,450	693,238	78,212
City attorney	538,184	538,184	508,042	30,142
City hall building	347,776	362,776	332,595	30,181
Civic center	149,993	179,493	170,350	9,143
Public safety:				
Police protection	5,604,400	5,685,400	5,379,671	305,729
Dispatching	361,000	361,000	357,602	3,398
Animal control	220,550	220,550	202,573	17,977
Fire protection	3,716,185	3,722,185	3,525,152	197,033
Highways and public improvements:				
Streets and highways	1,799,099	1,807,099	1,711,920	95,179
Waste collection and disposal	193,828	193,828	188,814	5,014
Building and planning services	673,555	694,555	640,406	54,149
Engineering	216,907	157,907	122,244	35,663
Parks and recreation:				
Parks	275,504	289,504	287,455	2,049
Community events	129,700	129,700	129,123	577
Recreation	304,316	350,816	348,546	2,270
Capital outlay:				
Highways and public improvements:				
Streets and highways	<u>540,000</u>	<u>540,000</u>	<u>52,067</u>	<u>487,933</u>
TOTAL EXPENDITURES	<u>17,137,207</u>	<u>17,384,207</u>	<u>15,907,943</u>	<u>1,476,264</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(15,000)</u>	<u>(15,000)</u>	<u>804,672</u>	<u>819,672</u>
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	<u>15,000</u>	<u>15,000</u>	<u>14,258</u>	<u>(742)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,000</u>	<u>15,000</u>	<u>14,258</u>	<u>(742)</u>
NET CHANGE IN FUND BALANCES	-	-	818,930	818,930
FUND BALANCES - BEGINNING	<u>2,557,253</u>	<u>2,557,253</u>	<u>2,557,253</u>	-
FUND BALANCES - ENDING	<u>\$ 2,557,253</u>	<u>\$ 2,557,253</u>	<u>\$ 3,376,183</u>	<u>\$ 818,930</u>

CITY OF SOUTH SALT LAKE

REDEVELOPMENT AGENCY

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	<u>\$ 807,000</u>	<u>\$ 807,000</u>	<u>\$ 738,913</u>	<u>\$ (68,087)</u>
TOTAL REVENUES	<u>807,000</u>	<u>807,000</u>	<u>738,913</u>	<u>(68,087)</u>
EXPENDITURES:				
Current:				
General government	103,500	103,500	54,331	49,169
Highways and public improvements	300,000	300,000	-	300,000
Redevelopment	415,000	415,000	373,298	41,702
Debt service:				
Principal on interfund loan	350,000	350,000	-	350,000
Interest and fiscal charges	<u>24,538</u>	<u>24,538</u>	<u>24,538</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,193,038</u>	<u>1,193,038</u>	<u>452,167</u>	<u>740,871</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(386,038)</u>	<u>(386,038)</u>	<u>286,746</u>	<u>672,784</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(386,038)</u>	<u>(386,038)</u>	<u>286,746</u>	<u>672,784</u>
FUND BALANCES - BEGINNING OF YEAR	<u>80,436</u>	<u>80,436</u>	<u>80,436</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ (305,602)</u>	<u>\$ (305,602)</u>	<u>\$ 367,182</u>	<u>\$ 672,784</u>

CITY OF SOUTH SALT LAKE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2006

1. **BUDGETARY INFORMATION**

Budgets for the general fund and redevelopment agency are adopted and presented on a basis consistent with generally accepted accounting principles.

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OTHER SUPPLEMENTARY INFORMATION

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CITY OF SOUTH SALT LAKE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

	Special Revenue Fund	Debt Service Funds		Total Nonmajor Governmental Funds
	Special Assessment Fund	Fire Truck Debt Service	Sales Tax Debt Service	
ASSETS:				
Cash and cash equivalents	\$ -	\$ -	\$ 576,293	\$ 576,293
Accounts receivable (net)	87,971	-	-	87,971
Cash and cash equivalents - restricted	16,864	-	633,198	650,062
TOTAL ASSETS	<u>\$ 104,835</u>	<u>\$ -</u>	<u>\$ 1,209,491</u>	<u>\$ 1,314,326</u>
LIABILITIES:				
Due to other funds	\$ 517	\$ -	\$ -	\$ 517
Interfund notes payable	9,192	-	-	9,192
Deferred revenue	87,376	-	-	87,376
TOTAL LIABILITIES	<u>97,085</u>	<u>-</u>	<u>-</u>	<u>97,085</u>
FUND BALANCES:				
Unreserved, reported in:				
Special revenue funds	7,750	-	-	7,750
Reserved for:				
Debt service	-	-	1,209,491	1,209,491
TOTAL FUND BALANCES	<u>7,750</u>	<u>-</u>	<u>1,209,491</u>	<u>1,217,241</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 104,835</u>	<u>\$ -</u>	<u>\$ 1,209,491</u>	<u>\$ 1,314,326</u>

CITY OF SOUTH SALT LAKE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Fund	Debt Service Funds		Total Nonmajor Governmental Funds
	Special Assessment Fund	Fire Truck Debt Service	Sales Tax Debt Service	
REVENUES:				
Taxes	\$ -	\$ -	\$ 665,300	\$ 665,300
Charges for services	34,195	-	-	34,195
Investment earnings	7,332	-	26,521	33,853
TOTAL REVENUES	41,527	-	691,821	733,348
EXPENDITURES:				
Debt service:				
Principal retirement	34,000	-	435,000	469,000
Interest and fiscal charges	6,018	-	213,340	219,358
TOTAL EXPENDITURES	40,018	-	648,340	688,358
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,509	-	43,481	44,990
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	(198)	-	(198)
TOTAL OTHER FINANCING SOURCES (USES)	-	(198)	-	(198)
NET CHANGE IN FUND BALANCES	1,509	(198)	43,481	44,792
FUND BALANCES - BEGINNING	6,241	198	1,166,010	1,172,449
FUND BALANCES - ENDING	\$ 7,750	\$ -	\$ 1,209,491	\$ 1,217,241

CITY OF SOUTH SALT LAKE

SPECIAL ASSESSMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 47,000	\$ 47,000	\$ 34,195	\$(12,805)
Investment earnings	—	—	7,332	7,332
TOTAL REVENUES	<u>47,000</u>	<u>47,000</u>	<u>41,527</u>	<u>(5,473)</u>
EXPENDITURES:				
Debt Service:				
Principal on interfund loan	5,430	5,430	—	5,430
Principal retirement	32,000	32,000	34,000	(2,000)
Interest and fiscal charges	<u>9,570</u>	<u>9,570</u>	<u>6,018</u>	<u>3,552</u>
TOTAL EXPENDITURES	<u>47,000</u>	<u>47,000</u>	<u>40,018</u>	<u>6,982</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>—</u>	<u>—</u>	<u>1,509</u>	<u>1,509</u>
OTHER FINANCING SOURCES (USES):				
Transfer in (out)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
NET CHANGE IN FUND BALANCES	—	—	1,509	1,509
FUND BALANCES – BEGINNING OF YEAR	<u>6,241</u>	<u>6,241</u>	<u>6,241</u>	<u>—</u>
FUND BALANCES – END OF YEAR	<u>\$ 6,241</u>	<u>\$ 6,241</u>	<u>\$ 7,750</u>	<u>\$ 1,509</u>

CITY OF SOUTH SALT LAKE

SALES TAX DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 665,300	\$ 665,300	\$ 665,300	\$ -
Investment earnings	<u>10,000</u>	<u>10,000</u>	<u>26,521</u>	<u>16,521</u>
TOTAL REVENUES	<u>675,300</u>	<u>675,300</u>	<u>691,821</u>	<u>16,521</u>
EXPENDITURES:				
Debt Service:				
Principal retirement	435,000	435,000	435,000	-
Interest and fiscal charges	<u>214,000</u>	<u>214,000</u>	<u>213,340</u>	<u>660</u>
TOTAL EXPENDITURES	<u>649,000</u>	<u>649,000</u>	<u>648,340</u>	<u>660</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>26,300</u>	<u>26,300</u>	<u>43,481</u>	<u>17,181</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>(26,300)</u>	<u>(26,300)</u>	<u>-</u>	<u>26,300</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(26,300)</u>	<u>(26,300)</u>	<u>-</u>	<u>26,300</u>
NET CHANGE IN FUND BALANCES	-	-	43,481	43,481
FUND BALANCES – BEGINNING OF YEAR	<u>1,166,010</u>	<u>1,166,010</u>	<u>1,166,010</u>	<u>-</u>
FUND BALANCES – END OF YEAR	<u>\$1,166,010</u>	<u>\$1,166,010</u>	<u>\$1,209,491</u>	<u>\$ 43,481</u>

CITY OF SOUTH SALT LAKE

CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 1,150,000	\$ 1,150,000	\$ 3,526,563	\$ 2,376,563
Intergovernmental	140,000	233,795	447,026	213,231
Charges for services	50,000	50,000	25,301	(24,699)
Investment earnings	50,000	50,000	281,959	231,959
TOTAL REVENUES	<u>1,390,000</u>	<u>1,483,795</u>	<u>4,280,849</u>	<u>2,797,054</u>
EXPENDITURES:				
Capital outlay:				
General government	168,500	237,750	193,065	44,685
Public safety	1,077,600	1,102,145	1,033,376	68,769
Highways and public improvements	577,500	577,500	211,751	365,749
Parks and recreation	—	—	285,823	(285,823)
TOTAL EXPENDITURES	<u>1,823,600</u>	<u>1,917,395</u>	<u>1,724,015</u>	<u>193,380</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(433,600)</u>	<u>(433,600)</u>	<u>2,556,834</u>	<u>2,990,434</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	—	(265,000)	198	265,198
TOTAL OTHER FINANCING SOURCES (USES)	<u>—</u>	<u>(265,000)</u>	<u>198</u>	<u>265,198</u>
NET CHANGE IN FUND BALANCES	(433,600)	(698,600)	2,557,032	3,255,632
FUND BALANCES - BEGINNING	<u>9,831,313</u>	<u>9,831,313</u>	<u>9,831,313</u>	<u>—</u>
FUND BALANCES - END OF YEAR	<u>\$ 9,397,713</u>	<u>\$ 9,132,713</u>	<u>\$12,388,345</u>	<u>\$ 3,255,632</u>

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STATISTICAL

SECTION

City of South Salt Lake

STATISTICAL SECTION

This part of the City of South Salt Lake's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	64
Revenue Capacity These schedules contain information to help the reader assess one of the government's revenue sources, the property tax.	72
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	76
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	81
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	82

City of South Salt Lake
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 26,656	\$ 28,919	\$ 31,061	\$ 31,776
Restricted	5,823	4,994	1,166	1,210
Unrestricted	5,830	6,608	14,460	20,579
Total governmental activities net assets	\$ 38,309	\$ 40,521	\$ 46,687	\$ 53,565
Business-type activities				
Invested in capital assets, net of related debt	\$ 7,789	\$ 8,054	\$ 7,878	\$ 8,314
Restricted	-	-	674	765
Unrestricted	8,813	8,660	8,471	8,298
Total business-type activities net assets	\$ 16,602	\$ 16,714	\$ 17,023	\$ 17,377
Primary government				
Invested in capital assets, net of related debt	\$ 34,445	\$ 36,973	\$ 38,939	\$ 40,090
Restricted	5,823	4,994	1,840	1,975
Unrestricted	14,643	15,268	22,931	28,877
Total primary government net assets	\$ 54,911	\$ 57,235	\$ 63,710	\$ 70,942

Source: South Salt Lake Finance Department

Note: GASB 34 was not implemented until June 30, 2003

City of South Salt Lake
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Expenses	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
General government	\$ 3,395	\$ 3,397	\$ 3,215	\$ 3,476
Public Safety	9,709	9,582	9,699	10,072
Highways and public improvements	3,205	3,287	3,003	3,087
Parks and recreation	673	671	669	845
Redevelopment	548	335	380	373
Interest on long-term debt	416	289	257	237
Total governmental activities expenses	17,946	17,561	17,223	18,090
Business-type activities:				
Water utility	1,710	1,650	1,676	1,736
Sewer utility	1,490	1,209	1,301	1,482
Recycled Waste	n/a	n/a	n/a	12
Housing	220	249	309	233
Total business-type activities expenses	3,420	3,108	3,286	3,463
Total primary government expenses	\$ 21,366	\$ 20,669	\$ 20,509	\$ 21,553
 Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,229	\$ 1,216	\$ 1,136	\$ 1,295
Public Safety	1,651	1,570	1,916	1,716
Highways and public improvements	518	-	-	-
Parks and recreation	21	22	27	29
Other activities	-	-	-	-
Operating grants and contributions	1,006	1,956	1,852	608
Capital grants and contributions	-	-	189	168
Total governmental activities program revenues	4,425	4,764	5,120	3,816
Business-type activities:				
Charges for services:				
Water utility	1,548	1,735	1,720	1,801
Sewer utility	1,243	1,295	1,386	1,344
Recycled Waste	n/a	n/a	n/a	26
Housing	-	1	56	98
Operating grants and contributions	209	152	501	292
Capital grants and contributions	-	-	-	211
Total business-type activities program revenues	3,000	3,183	3,663	3,772
Total primary government program revenues	\$ 7,425	\$ 7,947	\$ 8,783	\$ 7,588

City of South Salt Lake
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(continued)

	Fiscal Year			
	2003	2004	2005	2006
Net (expense)/revenue:				
Governmental activities	\$ (13,521)	\$ (12,797)	\$ (12,103)	\$ (14,274)
Business-type activities	(420)	75	377	309
Total primary government net expense	\$ (13,941)	\$ (12,722)	\$ (11,726)	\$ (13,965)
 General Revenues and Other Changes in				
Net Assets				
Governmental activities:				
Taxes:				
Property taxes	\$ 2,850	\$ 2,889	\$ 2,887	\$ 5,367
Sales taxes	9,808	9,882	10,904	12,076
Energy sales and use tax	1,798	2,002	2,719	3,056
Transient room taxes	24	24	25	26
Unrestricted investment earnings	259	199	295	627
Miscellaneous	10	-	-	-
Gain on sale of capital assets	(106)	13	-	-
Total governmental activities	14,643	15,009	16,830	21,152
Business-type activities:				
Unrestricted investment earnings	38	37	84	45
Total business-type activities	38	37	84	45
Total primary government	\$ 14,681	\$ 15,046	\$ 16,914	\$ 21,197
 Change in Net Assets				
Governmental activities	\$ 1,122	\$ 2,212	\$ 4,727	\$ 6,878
Business-type activities	(382)	112	461	354
Total primary government	\$ 740	\$ 2,324	\$ 5,188	\$ 7,232

Source: South Salt Lake Finance Department

Note: GASB 34 was not implemented until June 30, 2003

n/a - Not applicable, Recycled Waste program began July 1, 2005

City of South Salt Lake
Governmental Activities Tax Revenues by Source
Last Four Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Energy Sales and Use Tax	Transient Room Tax	Total
2003	\$ 2,850	\$ 9,808	\$ 1,798	\$ 24	\$ 14,480
2004	2,889	9,882	2,002	24	14,797
2005	2,887	10,904	2,719	25	16,535
2006	5,367	12,076	3,056	26	20,525

Source: South Salt Lake Finance Department

Note: GASB 34 was not implemented until June 30, 2003

City of South Salt Lake
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 194	\$ -	\$ -	\$ -
Unreserved	1,772	1,906	2,272	2,595	2,597	2,503	2,507	2,966	2,557	3,376
Total general fund	<u>\$ 1,772</u>	<u>\$ 1,906</u>	<u>\$ 2,272</u>	<u>\$ 2,595</u>	<u>\$ 2,597</u>	<u>\$ 2,503</u>	<u>\$ 2,701</u>	<u>\$ 2,966</u>	<u>\$ 2,557</u>	<u>\$ 3,376</u>
All other governmental funds										
Reserved	\$ 1,966	\$ 1,422	\$ 1,287	\$ 1,205	\$ 973	\$ 1,540	\$ 1,147	\$ 1,154	\$ 1,166	\$ 1,210
Unreserved, reported in:										
Special revenue funds	(2,463)	(2,263)	(1,916)	(1,428)	(984)	(452)	(380)	(223)	87	375
Capital projects funds	5,211	6,412	5,789	4,640	5,765	7,925	8,093	7,631	9,831	12,388
Total all other governmental funds	<u>\$ 4,714</u>	<u>\$ 5,571</u>	<u>\$ 5,160</u>	<u>\$ 4,417</u>	<u>\$ 5,754</u>	<u>\$ 9,013</u>	<u>\$ 8,860</u>	<u>\$ 8,562</u>	<u>\$ 11,084</u>	<u>\$ 13,973</u>

Source: South Salt Lake Finance Department

City of South Salt Lake
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	\$ 11,450	\$ 10,180	\$ 12,381	\$ 14,935	\$ 16,387	\$ 16,160	\$ 14,480	\$ 14,797	\$ 16,535	\$ 18,040
Licenses and permits	789	491	643	999	748	847	780	734	711	870
Intergovernmental	563	867	847	897	629	1,259	1,621	2,051	2,104	858
Charges for services	459	468	413	378	364	341	290	217	284	271
Fines and forfeitures	839	1,040	1,634	1,879	1,832	1,675	1,411	1,385	1,711	1,518
Investment earnings	339	706	390	434	456	316	250	193	285	609
Miscellaneous	146	93	24	30	57	53	333	377	310	299
Total Revenues	14,585	13,845	16,332	19,552	20,473	20,651	19,165	19,754	21,940	22,465
Expenditures										
General government	1,703	1,804	2,197	2,446	2,753	2,780	2,794	2,719	2,748	2,962
Public safety	4,494	5,119	6,755	7,872	8,740	9,017	8,916	8,860	9,036	9,465
Highways and public improvements	1,753	2,031	2,546	2,580	2,550	2,657	2,621	2,611	2,455	2,663
Parks and recreation	235	262	309	370	508	468	624	638	682	765
Redevelopment	156	467	502	385	455	435	889	618	431	427
Capital outlay	1,769	1,429	3,379	5,722	3,912	6,160	2,718	3,399	3,322	1,776
Debt service										
Principal	475	1,415	150	266	277	2,348	629	658	544	469
Interest and fiscal charges	264	231	151	167	155	215	324	296	266	244
Total expenditures	10,849	12,758	15,989	19,808	19,350	24,080	19,515	19,799	19,484	18,771
Excess of revenues over (under) expenditures	3,736	1,087	343	(256)	1,123	(3,429)	(350)	(45)	2,456	3,694

City of South Salt Lake
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)
(continued)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Other financing sources (uses)										
Transfers in	431	470	281	406	422	3,047	244	244	102	198
Transfers out	(3,146)	(1,270)	(630)	(606)	(422)	(3,047)	(244)	(244)	(102)	(198)
Proceeds from loans/bonds	-	300	614	-	-	6,245	174	-	-	-
Capital leases	-	-	-	-	-	277	-	-	-	-
Sale of capital assets	-	5	12	37	214	73	220	13	57	14
Total other financing sources (uses)	(2,715)	(495)	277	(163)	214	6,595	394	13	57	14
Net change in fund balances	\$ 1,021	\$ 592	\$ 620	\$ (419)	\$ 1,337	\$ 3,166	\$ 44	\$ (32)	\$ 2,513	\$ 3,708

Debt service as a percentage of noncapital expenditures	8.1%	14.5%	2.4%	3.1%	2.8%	14.3%	5.7%	5.8%	5.0%	4.2%
---	------	-------	------	------	------	-------	------	------	------	------

Source: South Salt Lake Finance Department

City of South Salt Lake
General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Energy Sales and Use Tax</u>	<u>Transient Room Tax</u>	<u>Total</u>
1997	\$ 854	\$ 7,861	\$ 1,087	\$ -	\$ 9,802
1998	869	7,466	1,048	-	9,383
1999	906	9,242	1,348	12	11,508
2000	1,582	10,836	1,489	29	13,936
2001	1,668	11,849	1,804	22	15,343
2002	1,913	10,555	1,908	27	14,403
2003	1,883	9,808	1,798	24	13,513
2004	1,907	9,882	2,002	24	13,815
2005	1,959	10,904	2,719	25	15,607
2006	1,986	12,075	3,056	26	17,143

Source: South Salt Lake Finance Department

City of South Salt Lake
Assessed Value and Estimated Actual Value of Taxable Real Property
Last Ten Years
(in thousands of dollars)

<u>Year</u>	<u>Taxable Real Property Value</u>	<u>Less: Tax Exempt Real Property</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
1996	\$ 677,158	n/a	n/a	n/a
1997	772,417	n/a	n/a	n/a
1998	824,498	n/a	n/a	n/a
1999	1,215,557	n/a	n/a	n/a
2000	1,285,792	n/a	n/a	n/a
2001	1,332,173	\$ 601,362	\$ 1,933,535	68.9%
2002	1,332,884	598,206	1,931,090	69.0%
2003	1,299,876	591,300	1,891,176	68.7%
2004	1,298,335	595,605	1,893,940	68.6%
2005	1,318,280	610,483	1,928,763	68.3%

Source: Salt Lake County Auditor
Salt Lake County Assessor

n/a - Information not available

**City of South Salt Lake
Property Tax Rates
Direct and Overlapping Governments
Last Ten Years**

<u>Year</u>	<u>City of South Salt Lake</u>	<u>Granite School District</u>	<u>Salt Lake County (a)</u>	<u>So. SL Co. Mosquito Abatement</u>	<u>Central Utah Water Conserv. District</u>	<u>SL Suburban Sanitary Dist. #1 (b)</u>	<u>Total of All Rates</u>
1996	0.001135	0.006130	0.004429	0.000014	0.000342	N/A	0.012050
1997	0.001070	0.005807	0.004159	0.000013	0.000400	N/A	0.011449
1998	0.001103	0.005669	0.003412	0.000013	0.000397	0.000268	0.010862
1999	0.001100	0.006960	0.003856	0.000013	0.000397	0.000268	0.012594
2000	0.001182	0.006678	0.003487	0.000012	0.000400	0.000263	0.012022
2001	0.001411	0.006487	0.003789	0.000014	0.000369	0.000261	0.012331
2002	0.001386	0.006460	0.003683	0.000017	0.000358	0.000261	0.012165
2003	0.001403	0.006740	0.003615	0.000034	0.000358	0.000252	0.012402
2004	0.001417	0.006746	0.003549	0.000033	0.000353	0.000255	0.012353
2005	0.001396	0.006604	0.003378	0.000031	0.000336	0.000233	0.011978

(a) Includes Salt Lake County Library, Planetarium, Health Department, Flood Control.

(b) The City annexed approximately two square miles in 1998 that is serviced by SL Suburban Sanitary District #1

Source: Salt Lake County Assessor

**City of South Salt Lake
Principal Property Taxpayers
December 31, 2005**

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Use</u>
RC Willey	\$ 23,243,500	1	1.76%	Retail Sales
Rayman Associates	17,636,100	2	1.34%	Multi-Family Housing
Sunset Investors	15,060,700	3	1.14%	Multi-Family Housing
VID Ovich	10,391,300	4	0.79%	Multi-Family Housing
Century Theaters	8,371,400	5	0.64%	Entertainment
Van Nuys Center	8,140,700	6	0.62%	Warehouse/Storage
ZCMI	8,031,600	7	0.61%	Warehouse/Storage
FKB-Times Square	6,675,300	8	0.51%	Industrial/Office
Libra Group	6,606,100	9	0.50%	Retail Sales
Magnus One LLC	6,134,000	10	0.47%	Retail Sales

Source: Salt Lake County Assessor

Note: Taxable assessed value for principal property taxpayers is not available for 1996.

City of South Salt Lake
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

<u>Year Ended December 31</u>	<u>Total Tax Levy for Year</u>	<u>Collected within the Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>% of Levy</u>
1996*	n/a	n/a	n/a	n/a	n/a	n/a
1997*	n/a	n/a	n/a	n/a	n/a	n/a
1998	\$ 1,011	\$ 947	93.7%	\$ 28	\$ 975	96.4%
1999	1,354	1,284	94.8%	27	1,311	96.8%
2000	1,724	1,564	90.7%	70	1,634	94.8%
2001	2,042	1,882	92.2%	66	1,948	95.4%
2002	2,016	1,870	92.8%	74	1,944	96.4%
2003	2,006	1,816	90.5%	93	1,909	95.2%
2004	2,039	1,876	92.0%	84	1,960	96.1%
2005**	2,047	1,885	92.1%	-	1,885	92.1%

Source: Salt Lake County Treasurer

* Tax collection information not available for 1996 and 1997

** 2005 collections in subsequent years not available until March 2007

City of South Salt Lake
Ratios of Outstanding Debt by Type
Last Four Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Household Income	Per Capita
	General Obligation Bonds	Sales Tax Revenue Bonds	Capital Lease Obligations	Special Assessment Bonds	Water Bonds	Sewer Bonds	Housing Loan				
2003	\$ -	\$ 5,825	\$ 326	\$ 169	\$ 2,881	\$ 1,168	\$ -	\$ 10,369	4.60%	\$ 477	
2004	-	5,425	98	139	2,760	1,107	800	10,329	4.40%	469	
2005	-	5,010	-	107	2,636	1,127	540	9,420	3.83%	422	
2006	-	4,575	-	73	2,509	1,162	380	8,699	3.33%	379	

Source: South Salt Lake Finance Department
United States Bureau of Census

Note: GASB Statement 34 was not implemented until June 30, 2003

City of South Salt Lake
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value	Per Capita
2006	n/a	n/a	n/a	n/a	n/a

Note: The City of South Salt Lake has not issued General Obligation Debt in the past ten years.

City of South Salt Lake
Direct and Overlapping Governmental Activities Debt
As of December 31, 2005
(amounts expressed in thousands)

<u>Governmental Unit</u>	<u>2005 Taxable Value</u>	<u>South Salt Lake's Portion of Taxable Value</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Governmental Unit's General Obligation Debt</u>	<u>City's Portion of General Obligation Debt</u>
State of Utah	\$ 132,283,252	\$ 1,513,548	1.14%	\$ 1,377,390	\$ 15,760
Central Utah Water Conservancy District	78,610,433	1,513,548	1.93%	62,116	1,196
Salt Lake County	53,775,104	1,513,548	2.81%	191,570	5,392
Granite School District	-	-	0.00%	-	-
Total				1,631,076	22,348
Less: State of Utah (b)				(1,377,390)	(15,760)
Total Direct and Overlapping Debt				<u>\$ 253,686</u>	<u>\$ 6,588</u>

(a) Based on 2005 taxable assessed property values.

(b) The State of Utah does not levy property tax for General Obligation Debt.

Sources:

Utah State Auditor

Salt Lake County Auditor

City of South Salt Lake
Legal Debt Margin Information
Last Ten Years
(amounts expressed in thousands)

	Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Debt Limit	\$ 27,997	\$ 31,512	\$ 32,980	\$ 48,622	\$ 53,519	\$ 51,432	\$ 53,315	\$ 51,955	\$ 51,933	\$ 52,731
Total Net Debt Applicable to Limit (a)	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 27,997	\$ 31,512	\$ 32,980	\$ 48,622	\$ 53,519	\$ 51,432	\$ 53,315	\$ 51,955	\$ 51,933	\$ 52,731

Total Debt Applicable to the Limit as a percentage of Debt Limit (b)

n/a

n/a

n/a

n/a

n/a

n/a

n/a

n/a

n/a

n/a

Legal Debt Margin Calculation for 2005

Taxable Value All Property	\$ 1,318,280
Debt Limit (4% of reasonable fair cash value) (c)	52,731
Debt applicable to limit: General Obligation Bonds	-
Legal Debt Margin	\$ 52,731

- (a) The city has not issued General Obligation Bonds in the past ten years.
 (b) Not Applicable
 (c) Utah state (Article 14, section 4) law limits debt limit at 4% of taxable property.

Source: Salt Lake County Auditor

City of South Salt Lake
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Water Revenue Bonds

Fiscal Year	Water Charges	Less:	Net	Debt Service		Coverage
		Operating Expenses	Available Revenue	Principal	Interest	
2002	\$ 1,769	\$ 1,188	\$ 581	\$ -	\$ 20	29.05
2003	1,566	1,155	411	119	44	2.52
2004	1,763	1,232	531	121	62	2.90
2005	1,754	1,195	559	124	65	2.96
2006	1,820	1,239	581	127	63	3.06

State Sewer Loan/Central Valley Taxable Bonds

Fiscal Year	Sewer Charges	Less:	Net	Debt Service		Coverage
		Operating Expenses	Available Revenue	Principal	Interest	
2003	\$ 1,252	\$ 811	\$ 441	\$ 62	\$ -	7.11
2004	1,296	736	560	62	-	9.03
2005	1,432	867	565	62	-	9.11
2006	1,360	930	430	73	8	5.31

In 2005, the City agreed to participate with Central Valley Water Reclamation Facility to issue bonds for a facility expansion project.

Public Safety Sales Tax Revenue Bonds

Fiscal Year	Sales Tax and Other Revenue	Less:	Net	Debt Service		Coverage
		Expenses	Available Revenue	Principal	Interest	
2002	\$ 170	\$ 2	\$ 168	\$ 168	\$ -	1.00
2003	654	2	652	385	260	1.01
2004	654	3	651	400	244	1.01
2005	657	2	655	415	228	1.02
2006	692	3	689	435	211	1.07

Special Improvement District Revenue Bonds

Fiscal Year	SID Revenue	Less:	Net	Debt Service		Coverage
		Expenses	Available Revenue	Principal	Interest	
2000	\$ 40	\$ -	\$ 40	\$ 25	\$ 15	1.00
2001	40	-	40	26	14	1.00
2002	40	-	40	27	12	1.03
2003	42	-	42	29	12	1.02
2004	40	-	40	30	9	1.03
2005	44	-	44	32	8	1.10
2006	42	-	42	34	6	1.05

Source: South Salt Lake Finance Department

**City of South Salt Lake
Demographic and Economic Statistics**

<u>Year</u>	<u>1990</u>	<u>1994</u>	<u>2000(a)</u>	<u>2003</u>	<u>2010 Est.</u>	<u>2020 Est.</u>	
Population	10,129	10,693	22,038	21,719	23,801	26,445	
Population Breakdown	Female	Male	White	African American	Native American	Asian	Hispanic or Other
2000 Census	45.2%	54.8%	75.2%	2.9%	3.0%	2.6%	16.3%
			South Salt Lake	U.S. Average			
Median household income (1999 dollars)			\$ 29,801	\$ 41,994			
Median household income (2005 dollars)			36,152	46,849			

(a) In 1998 the City annexed approximately two square miles and 9,000 residents.

2000 share of Utah residents that live in South Salt Lake - 1.0%

2000 share of Salt Lake County residents that live in South Salt Lake - 2.4%

2003 estimated ratio of police officers per South Salt Lake resident - 1:377

2003 estimated ratio of fire fighters per South Salt Lake resident - 1:629

Sources: Wasatch Front Regional Council
Utah State Governor's Office of Planning and Budget
U.S. Bureau of Census
South Salt Lake Chamber of Commerce

Ten Year Demographic Information is Not Available

City of South Salt Lake
Full-time Equivalent Employees by Function
Last Ten Fiscal Years

Full-time Equivalent Employees as of June 30

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government:										
Administration (1)	22	26	27	30	29	28	28	27	26	26
Court	8	12	14	14	13	12	10	10	10	10
Public Safety:										
Police	59	83	87	78	79	74	71	71	69	74
Fire	23	34	35	36	43	43	40	40	40	41
Animal Control (2)	2	2	2	2	2	2	2	2	2	-
Community Services	-	-	-	-	-	-	-	-	-	5
Highways and Public Improvements:										
Streets & Highways	17	21	21	22	23	22	20	18	17	19
Engineering	2	4	4	5	5	3	2	2	2	1
Building & Planning	6	9	9	11	11	11	9	8	8	7
Parks and Recreation:										
Parks	4	3	4	4	4	4	5	5	5	4
Recreation	-	1	1	1	1	1	3	3	3	4
Water	7	8	8	8	8	8	8	8	8	8
Sewer	3	3	3	3	3	3	2	2	2	2
Total	153	206	215	214	221	211	200	196	192	201

(1) Includes Administration, City Council, City Attorney
(2) Animal Control combined with Code Enforcement in 2006 to create new Community Services Department

Source: South Salt Lake Human Resources

City of South Salt Lake
Operating Indicators by Function
Last Six Fiscal Years

Function	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Police						
Total Calls	12,112	29,873	33,720	39,188	46,261	42,231
Violent Crimes	1,131	797	853	1,035	819	1,001
Property Crimes	2,884	4,139	3,939	4,508	3,949	4,351
Traffic Citations	1,843	11,421	15,923	16,414	14,397	9,334
Fire						
Total Calls	3,502	3,823	3,626	3,806	4,034	4,600
Number of Fires	188	140	88	111	189	223
Medical Calls	2,479	2,567	2,653	2,871	2,913	3,206
Avg Response Time	4.0 minutes	3.9 minutes	4.4 minutes	5.1 minutes	4.6 minutes	3.3 minutes
Justice Court						
Total Cases	13,192	14,116	12,184	11,378	10,663	8,117
Comm Service Hrs	18,553	18,773	10,614	9,273	7,919	10,088
Building & Zoning						
Building Permits	382	500	471	499	475	431
Business Licenses	2,112	1,993	1,959	1,984	1,957	1,792
Construction Value	\$26,079,818	\$16,387,560	\$21,263,788	\$11,628,509	\$26,782,372	\$21,838,253
Administration						
A/P Checks	8,264	6,296	5,900	5,753	6,874	6,059
Payroll Checks	6,509	6,685	6,966	6,510	6,466	6,329
Utility Billings	40,876	40,813	40,784	41,311	41,508	41,704
City Attorney						
Traffic Cases Prosecuted	n/a	n/a	n/a	1,079	2,450	1,930
Criminal Cases Prosecuted	n/a	n/a	n/a	693	1,191	1,107
Public Works						
Road Improvements	292,968 sq ft	944,034 sq ft	430,547 sq ft	873,029 sq ft	536,501 sq ft	39,750 sq ft
Concrete Improvements	6,227 sq ft	4,942 sq ft	8,725 sq ft	14,315 sq ft	2,500 sq ft	1,973 ft
Solid Waste Removed	n/a	n/a	2,127 tons	1,096 tons	867 tons	879 tons

City of South Salt Lake
Operating Indicators by Function
Last Six Fiscal Years
(continued)

Function	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Water						
Gallons Produced	1,159 million	792 million	748 million	629 million	657 million	758 million
Gallons Purchased	330 million	378 million	221 million	345 million	339 million	230 million
Water Connections	3,289	3,281	3,278	3,286	3,295	3,334
Waste Water						
Lines Inspected	17,988 ft	n/a	2,390 ft	1,500 ft	5,000 ft	20,174 ft
Lines Cleaned	n/a	n/a	8,940 ft	600 ft	1,400 ft	74,191 ft
Total Connections	2,686	2,584	2,591	2,605	2,611	2,612
Parks and Recreation						
Rec. Participants	n/a	n/a	1,832	2,465	1,750	2,060
Number of Programs	n/a	n/a	8	10	10	12

Source: South Salt Lake Finance Department

n/a - information not available

Note: Ten year data not available

City of South Salt Lake
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
Police:										
Police Stations	1	1	1	1	1	1	1	1	1	1
Officer Vehicles	47	47	67	67	64	64	59	59	59	59
Animal Shelter	-	1	1	1	1	1	1	1	1	1
Fire:										
Fire Stations	2	2	3	3	3	3	3	3	3	3
Fire Apparatus	5	5	5	5	5	6	6	6	7	6
(Medium and Heavy)										
Highways and Public Improvements										
Streets & Highways:										
Road Miles	50	50	75	75	75	75	75	75	75	75
Storm Drain Miles	40	40	48	48	48	48	48	48	50	50
Water:										
Water Line Miles	44	44	44	44	45	46	46	46	46	46
Fire Hydrants	530	530	530	536	536	536	540	540	540	540
Sewer:										
Sewer Line Miles	34	34	34	34	34	34	34	35	35	35
Maximum Flow Capacity	3.83	3.83	3.83	3.83	3.83	3.83	3.83	3.83	3.93	3.93
Central Valley Facility (millions gallons/day)										
Parks and Recreation										
Park Acreage	8	8	8	8	8	8	8	8	8	8
Sports Fields	-	-	-	-	-	-	-	1	1	1

Source: South Salt Lake Finance Department

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SINGLE AUDIT

SECTION

City of South Salt Lake



PINNOCK, ROBBINS, POSEY & RICHINS

Certified Public Accountants • A Professional Corporation

Ronald D. Robbins, CPA
David T. Posey, CPA
Roger O. Richins, CPA
James R. Beaudoin, PFS, CFP, CPA
Wade K. Watkins, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of South Salt Lake
South Salt Lake, Utah

We have audited the financial statements of the City of South Salt Lake as of and for the year ended June 30, 2006, and have issued our report thereon dated October 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of South Salt Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of South Salt Lake's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the City of South Salt Lake's management, City Council, federal awarding agencies, and applicable regulatory agencies. It is not intended to be and should not be used by anyone other than these specified parties.

October 20, 2006

Pinnock, Robbins, Posey & Richins

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PINNOCK, ROBBINS, POSEY & RICHINS

Certified Public Accountants • A Professional Corporation

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and City Council
City of South Salt Lake
South Salt Lake, Utah

Compliance

We have audited the compliance of the City of South Salt Lake with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City of South Salt Lake's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of South Salt Lake's management. Our responsibility is to express an opinion on the City of South Salt Lake's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of South Salt Lake's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of South Salt Lake's compliance with those requirements.

In our opinion, the City of South Salt Lake complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of South Salt Lake is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of South Salt Lake's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the City of South Salt Lake's management, City Council, federal awarding agencies, and applicable regulatory agencies. It is not intended to be and should not be used by anyone other than these specified parties.

Pinnock, Robbins, Posey & Richins

October 20, 2006

CITY OF SOUTH SALT LAKE

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of South Salt Lake.
2. No reportable conditions relating to the audit of the financial statements were reported in the INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.
3. No instances of noncompliance material to the financial statements of the City of South Salt Lake were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.
5. The auditors' report on compliance for the major federal award programs for the City of South Salt Lake expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for the City of South Salt Lake are reported in Part C. of this Schedule.
7. The programs tested as major programs include: Community Development Block Grant, CFDA number 14.218
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of South Salt Lake was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

CITY OF SOUTH SALT LAKE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2006

<u>Federal Grantor Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass- through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing And Urban Development</u>			
Passed Through Salt Lake County: Community Development Block Grant	14.218	Various	\$ 481,587
<u>U.S. Department of Justice</u>			
Title V Delinquency Prevention Program	16.548		22,491
Crime Victim Assistance (Note B)	16.575	05-VOCA-41	26,254
<u>Environmental Protection Agency</u>			
Water Infrastructure Assistance Grant (Note C)	66.202	XP988884-01	211,420
<u>U.S. Department of Homeland Security</u>			
State Domestic Preparedness Equipment Support Grant	97.004	Various	45,376
State Homeland Security Program	97.073		77,854
Buffer Zone Protection Plan	97.078		<u>45,028</u>
Total			<u>\$ 910,010</u>

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards is presented using the same basis of accounting as that used in reporting the expenditures in the City's financial statements. The basis of accounting for each fund is described in footnote 1.C. of the City's financial statements.

NOTE B – CRIME VICTIM ASSISTANCE

In accordance with the grant agreement, the City of South Salt Lake has expended matching contributions totaling \$6,790 during the year ended June 30, 2006.

NOTE C – WATER INFRASTRUCTURE ASSISTANCE GRANT

In accordance with the grant agreement, the City of South Salt Lake has expended matching contributions totaling \$172,980 during the year ended June 30, 2006.

CITY OF SOUTH SALT LAKE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2006

No prior audit findings.

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INDEPENDENT AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE

Honorable Mayor and City Council
City of South Salt Lake
South Salt Lake, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Salt Lake, Utah, for the year ended June 30, 2006 and have issued our report thereon dated October 20, 2006. As part of our audit, we have audited the City of South Salt Lake's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major assistance programs from the State of Utah.

B & C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City of South Salt Lake's financial statements.)

EMS Fines – Contracts/Grants (Department of Health)

Our audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Justice Court
B & C Road Funds

Other General Compliance Issues
Uniform Building Code Standards
Liquor Law Enforcement
Truth in Taxation and Property
Tax Limitations

The management of the City of South Salt Lake is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City of South Salt Lake, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Pinnock, Robbins, Posey & Richins

October 20, 2006



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October 20, 2006

Honorable Mayor and City Council
City of South Salt Lake
South Salt Lake City, Utah

Dear Mayor and Council:

The City of South Salt Lake is ultimately responsible for the financial condition of the City, and for the City's compliance with finance related state and federal law. The Uniform Fiscal Procedures Act outlines responsibilities of the governing body.

The purpose of the financial statements is to report in summary form, the financial condition of the City, and the results of its operations and changes in financial condition, and to provide information to the governing body to help them satisfy their legal and political responsibilities for determining and demonstrating compliance with the various finance related state and federal law.

During the audit we observed that the City has made significant efforts to establish good accounting procedures and controls. Accounting controls are established to safeguard assets and to provide reliable financial and accounting information to the management and governing board. We commend the City and its employees for their efforts in this area.

During our audit we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies and are summarized as follows:

STATE LEGAL COMPLIANCE

Court Surcharge Remittances (Prior Year Recommendation)

We noted that the court surcharges were not always remitted by the tenth of the following month as required by State law.

Recommendation

We recommend that the surcharges and accompanying reports be submitted each month by the tenth of the month.

Management's Response

Management agrees with the recommendation.

Building Permit Surcharge Quarterly Report (Prior Year Recommendation)

During our audit, we noted that the building permit surcharge quarterly report for one quarter was not submitted within thirty days following the end of the quarter as required by State law.

Recommendation

We recommend that the surcharges and accompanying reports be submitted no later than thirty days following the end of each quarter.

Management's Response

Management agrees with the recommendation.

STATUS OF PRIOR YEAR RECOMMENDATIONS

Disposition of Court Trust Funds (Prior Year Recommendation)

During our audit, we were unable to substantiate court approval on the disposition of trust funds on a portion of the disbursements we sampled. State law requires that trust account funds be receipted and disbursed upon a court order.

Recommendation

We recommend that the City appropriately document court orders regarding the disposition and application of trust account funds.

Status

Implemented

We sincerely appreciate the cooperation we received from the management and employees of the City during the course of the audit. It has been a pleasure working with them. We appreciate the opportunity to serve as your auditors. If you have any questions regarding any of the matters discussed, please feel free to contact us.

Pinnock, Robbins, Posey & Richins

PINNOCK, ROBBINS, POSEY & RICHINS, PC